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What is the recipe for a craft beer company to maintain sustainable growth in a competitive industry?

The Lutgarde Case Study

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Anheuser-Busch InBev	AB InBev
Corporate Social Responsibility	CSR
India Pale Ale	IPA
United States of America	USA
United Kingdom	UK

General Introduction

Over the past decades, the Belgian beer market has evolved, and a major change is undeniable; namely the rise of the craft beer industry. Since the craft beer revolution in the seventies, the number of brewing entities in Belgium has grown significantly, offering an increasing variety of beers. While the production of Belgian beer has followed this evolution by almost doubling between 1980 and 2016, the Belgian consumption has however nearly halved. This is easily explained by the important expansion of Belgian beer exports, making Belgium the top European beer exporting country since 2017. There has also been a substantial shift in consumption regarding types of beer over the past decades. The share of craft beer in Belgian consumption (including ex-craft beer) has grown to reach around 65% of total beer consumption in 2016, to the detriments of Lager (Pils) beer.

Today, the majority of the market shares are owned by the Big Five – the five largest multinational firms in the beer industry –, leaving the remaining market shares to a significant amount of small craft brewing companies. This highly competitive sector is making it difficult for young craft breweries to survive and maintain sustainable growth. Though various researches have been performed on the craft beer market, no studies have yet attempted to identify the key elements for achieving such a successful entry in this sector.

As a result, the research question of this thesis is *"What is the recipe for a craft beer company to maintain sustainable growth in a competitive industry?".* To answer the latter question, a case study is performed on Lutgarde, a craft beer company that was founded in 2017. The company is currently growing and gaining competitiveness on the Belgian brewing market. Throughout this thesis, Lutgarde's sustainable growth potential for the long-term is assessed.

Prior to writing this thesis, objectives were set to answer the research question:

- To understand the Belgian beer market and its evolution over the last fifty years;
- To investigate reasons for the rise in the number of craft breweries;
- To assess Lutgarde's current position in terms of finance, production, exports, popularity, targeting & positioning, competitors, etc.;
- To understand the reasons of success and / or failure of other breweries.

The findings are presented in this thesis, which is divided into three chapters.

Firstly, an analysis of the beer industry is performed, tackling how and why the industry changed over the past fifty years. Then, the drivers of the rise in craft beer in the Belgian beer market are investigated, as well as the Belgian consumption, production, exports and the impact of Covid-19 on the market. Moreover, the Porter analysis is performed to assess the competitiveness of the beer market.

Secondly, a deep-dive analysis is performed on the craft beer company Lutgarde. After a detailed description of the company, a segmentation study is performed regarding craft beer consumers. Moreover, a research is conducted on the targeting and positioning of Lutgarde and its main competitors. Lastly, a SWOT analysis is made, summing up how Lutgarde uses its strengths to take advantage of its opportunities, and what its main weaknesses and threats are.

Finally, in order to provide an answer to the research question, a framework for success in the beer industry is built. Therefore, two breweries are analysed to highlight respectively success and failure ingredients: Brussels Beer Project and Brabance. These ingredients are then used to complete a literature-based structure to obtain a final framework. To conclude, the latter is applied on Lutgarde to ascertain if the craft brewery maintains a sustainable growth in the beer industry.

My interest in this topic originates from the growing presence of craft breweries in the beer industry. In 2017 – 2018, I performed a six-months internship as a community intern at Brussels Beer Project, a successful Belgian craft brewery. My internship led me to meet various players in the market, notably Lutgarde's founders. The dazzling ascent of the latter company caught my interest, wherefore I was curious to investigate the company's long-term potential.

Preface – Impact of Covid-19

Writing a thesis is about the last step of the master in Management Science at ICHEC Brussels Management School. For that matter, besides a few courses, students have an entire four months dedicated to the writing of the thesis from February to May.

On March 11^{th}, 2020, the World Health Organisation announced a Pandemic due to Covid-19. As a result, a general lockdown was declared in various European countries, among which Belgium. The latter occurred while writing this thesis, wherefore adding a preface about the impact Covid-19 has had on this thesis' development is adequate.

Covid-19 has undoubtedly negatively impacted the beer industry, as sales in the Horeca sector have plunged drastically, wherefore the turnover of all breweries has shrunk. Therefore, I elaborate on the impact of Covid-19 when necessary throughout my thesis.

Regarding the obstructions the crisis has had on the writing of this thesis, there are few. Indeed, besides events that were cancelled from which information would have been valuable, the development of this thesis was rather unimpacted.

1. The Beer Industry

This chapter provides a general theoretical framework and an introduction to the topic of craft beer. After defining the key elements of the research question, a historical context is provided in order to understand the impact of the craft beer revolution on today's beer industry. For that matter, both craft beer revolutions in the United States of America (USA) and in Belgium are observed. Then, drivers of the growth of craft breweries in Belgium are assessed, as the popularity of craft beer has increased in the latter country.

Furthermore, the Belgian beer market is analysed, focusing on consumption, production as well as exports. Additionally, an analysis of Porter's Five Forces is performed in order to investigate the beer industry further and assess its attractiveness. Finally, the impact Covid-19 has had on the industry is studied.

1.1. Definitions

In this section, the key elements of the research question are defined. The research question is "What is the recipe for a craft beer company to maintain sustainable growth in a competitive industry?", wherefore the following concepts are defined: Craft Beer, Steady Growth and Competitive Industry.

1.1.1. Craft Beer

The Brewers Association gave an international definition to craft breweries, a term that is used more commonly over time, due to its famousness. According to the Brewers Association (2020), a craft brewery – also referred to as microbreweries or artisanal breweries – is *small*, *independent* and *traditional*. *Small* refers to the production of the brewery; the latter should produce less than 6 million barrels a year. *Independent* refers to the ownership of the brewery; if more than 25% is owned and / or controlled by an alcohol industry member (which is not itself a small company), then the brewery is not independent. Last, *traditional* refers to the production of beer. The majority of the flavours and the used ingredients need to originate from traditional or innovative brewing ingredients as well as their fermentation.

Craft breweries are referring to breweries that offer special types of beer in smaller batches. These differ from multinational companies that produce thousands of hectolitres a week. These latter companies have been offering products on the market for decades and have therefore survived the various changes that have happened during the 20th century. (Brewers Association, 2020; Garavaglia & Swinnen, 2017)

In this thesis, all breweries that are referred to as being “craft breweries” match the above-mentioned definition.

Beers are brewed with different fermentation types, as can be seen in table 1-1. Most craft beers are brewed using top fermentation process. As a result, craft beers mostly contain a relatively high percentage of alcohol (above 6%) compared to Pils / Lagers (below 5%), which are brewed using bottom fermentation process. Other craft beers are brewed under spontaneous or mixed fermentation. (VisitFlanders, 2020b, 2020a)

Table 1-1

Belgian Beer Brewing Styles. (VisitFlanders, 2020b, 2020a)

Fermentation type	Type of Beer	Explanation
Bottom	Pils / Lager (Maes, Stella Artois, Jupiler)	Fermentation occurs between 5° and 10°C. During the process, yeast sinks.
Top	Specialty Beers - Witbier (Hoegaarden) - Abbey Beer; double or triple (Grimbergen, Leffe, Westvleteren)	Fermentation occurs between 15° and 25°C. By the end of the process, yeast floats.
Spontaneous	Lambic (Geuze Boon, Kriek)	Fermentation takes place spontaneously through contact with air.
Mixed	Duchesse De Bourgogne, Rodenbach	Mixed fermentation happens when different yeasts are used for the production of beer.

1.1.2. Sustainable Growth

Sustainable growth is referred to as being a growth that is ethical, responsible regarding current and upcoming generations, as well as repeatable. Also, sustainable growth is considered as being fundamental for the future success of a company. (Miller, 2018)

a) Ethical Growth

For companies to enable a sustainable and, more specifically, ethical growth, one key question should be asked at the centre of the core business: “Are we doing all we can to reinforce our stated values in the day-to-day decision making in our company?”. (Miller, 2018)

Managers have started shifting their attention to ethics only recently and are now caring about the ethical development of individuals of an organisation. Managers aiming for ethical growth are those aligning their values and beliefs towards responsible decision-making. (Mbonu & Worlu, 2018)

b) Responsible Growth

Responsible growth refers to the green development of a company. (Miller, 2018) Companies caring about responsible growth are also known to perform better financially wise, as today's consumers are CSR-driven and worry about current and future generations. On top of that, from an analysis performed by Roger Hinshaw in 2018, it was concluded that 90% of current companies believe that behaving responsibly is of high importance to remain competitive. (Hinshaw, 2018) Aside from economic value, responsible growth needs to enable social value through a defined goal. (O'Regan, 2014)

c) Repeatable Growth Process

Repeatable growth is allowed through a specific formula, namely, one that integrates success through six primary areas, encompassing the six C's; customers, competitors, costs, capital, communities and culture. (Miller, 2018) According to this definition, without success across the six C's, growth will not be repeated, resulting in a company that once knew a transient increase that is not lasting.

Repeatable growth is allowed through different approaches. One of these is to solidify the company's position by defining critical success factors. Critical success factors refer to "those factors that either are particularly valued by customers or provide a significant advantage in terms of cost". (Johnson, Whittington, Scholes, Angwin, & Regnér, 2017) As a result, a unique value proposition needs to be clearly defined and demonstrated to possible customers.

Moreover, a third essential approach to repeatable growth is culture, consistency and quality. If these three elements are not maintained over time, repetition will not be enabled because the focus will not properly be put on customers and their needs and wants will not be met. (Johnson et al., 2017)

Lastly, repeatable growth is partially enabled by having a clear vision of the long-term of the company. Companies focussing on the short-term solely struggle to find where they would see themselves in 5-10 years, preventing them from strategic planning. (Robinson, 2019) For the sake of this thesis, this last definition is used when referring to repeatable growth.

To conclude, a craft brewery which maintains a sustainable growth in the beer industry refers to a company that performs ethically while reducing its environmental impact for current and future generations, and that has the potential to grow repeatedly over the years by defining a long-term strategy as well as a recipe to get there.

1.1.3. Competitive Industry

According to Porter (1979), a competitive industry is one in which companies fight for getting an important amount of market shares. Moreover, "competition in an industry is rooted in its underlying economics, and competitive forces exist that go well beyond the established combatants in a particular industry. Customers, suppliers, potential entrants, and substitute products are all competitors that may be more or less prominent or active depending on the industry". (Porter, 1979)

As a result, competition in an industry can be measured through five forces, Porter's Five Forces, named after Michael E. Porter. Together, these forces assess the potential profit of an industry. The stronger the forces, the lower the attractiveness of an industry. (Johnson et al., 2017)

Craft beer companies should not enter the beer industry if the five forces are too high, as attractiveness would be too low. Therefore, craft beer companies ought to enter the market if and only if the competitiveness is not qualified as being supreme. All five forces are investigated in an upcoming chapter of the thesis.

1.2. Craft Beer Revolution

The following sub-section covers the history of the craft beer revolution in two different geographical locations. As the main worldwide influence of the craft beer revolution originates from the USA, the latter is the first analysed country. Then, followed by Belgium, as it is the main focus of this thesis and the origin country of the chosen company for the case study, Lutgarde.

1.2.1. Case of the United States of America

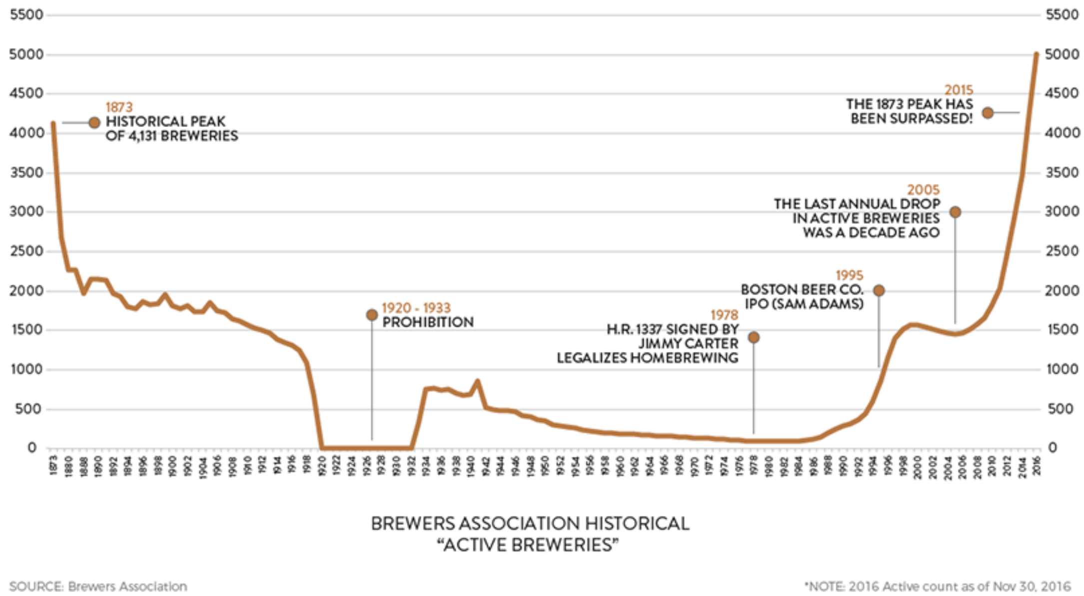
Before Prohibition (1920 – 1933), brewing was a local activity that was highly influenced by the origin of brewers. In fact, there was a high occupation of immigrants in the USA, which had, to some extent, an influence on the brewing activity of American residents. In 1900, there existed around 2.000 breweries in the USA, which is half of the number of breweries that existed a century earlier. By the time Prohibition was declared in 1920, 700 more breweries had closed their doors. This decrease persisted until the sixties, where only 63 breweries were counted in the USA, with no craft breweries. Experts feared that the number of breweries would continue declining, until the five biggest American brewing companies would remain. (Kempen, 2020)

Fortunately, this was not the case, as the Craft Beer Revolution took place. The exact date of the revolution is referred to as being 1978, when President Jimmy Carter decided to allow homebrewing, which was previously banned. (Kempen, 2020) As a result, new types of beers were produced, with flavours and techniques that were more complicated than the classic brews that were sold for decades. This was partly due to the worldwide influence of different types of brewing processes. (Thompson, 2018)

As can be seen on figure 1.1, after the legalization of homebrewing in 1978, the number of breweries increased significantly over the years. By the early nineties, "craft" was a well-known word. Craft brewers got popular and, through marketing strategies, small brewers enabled profit making. (Kempen, 2020) In 1995, 17 years after the authorisation to brew at home, there were around 1.000 breweries in the USA. Ten years later, in 2005, 1.500 breweries were open and in 2015 around 4.250. In 2018, there were over 7.300 craft breweries in the USA, the number had increased by 13,2% compared to 2017, showing a steady increase in the country. (Brewers Association, 2020)

Figure 1.1

History of Active Breweries in the USA 1978 – 2016. (Kempen, 2020)



The explosion of the craft beer has increased both employment and the range of offered products. Employment-wise, although multinationals offer high salaries and various benefits, employees are more satisfied with the increasing amount of small companies, rather than a limited number of big ones. The reason for employees preferring to work for craft breweries is due to their feeling of contributing to a change, rather than working for a macro brewery where the employees have little impact in the company. (Thompson, 2018)

1.2.2. Case of Belgium

Finding an exact date for the revolution is more complex for countries that have a long history of traditional beers, such as Belgium. As the country has historically been known as being a "craft beer nation", some do not believe in an actual revolution. However, according to Garavaglia and Swinnen (2018), the craft beer revolution can be identified as starting in the seventies as, since then, breweries have been impacted in Belgium, resulting in an increase on the longer term.

In 2015, the number of breweries per million inhabitants in Belgium was of 17.6, showing a rise when comparing to previous years; 14.5 in 1980, 12.6 in 1990, 11.0 in 2000 and 11.3 in 2010, as can be seen on table 1-2. This shows the extent to which the brewing sector has first declined and then gained momentum as of 2000 in Belgium over the past decades. When comparing Belgium to other countries, in 2015, Canada had a slightly higher number of breweries (17.8), while both the Netherlands and the United Kingdom (UK) have a significantly superior number with 23.0 breweries per million inhabitants. Other countries as Australia, Colombia, Germany, Italy, Japan and the USA rank lower than Belgium. Figures for Denmark are unknown. These numbers per country show the importance of Belgium, the smallest country of all the ones that are mentioned, which ranked fourth in the analysis in 2015. However, when comparing the data from 1980, Canada had only 1.6 breweries per million inhabitants, the Netherlands 0.9 and the UK 2.5. This means that these three countries have grown regarding the number of craft breweries. (Anderson, Meloni, & Swinnen, 2018; Garavaglia & Swinnen, 2017) All in all, this latter paragraph confirms the saying that Belgium has historically been known as a "craft beer nation".

Table 1-2

Number of breweries per million inhabitants 1980 – 2015. (Garavaglia & Swinnen, 2018)

Country	1980	1990	2000	2010	2015
Australia	0.6	2.3	2.5	8.0	15.2
Belgium	14.5	12.6	11.0	11.3	17.6
Canada	1.6	2.2	na	9.1	17.8
Colombia	0.03	0.03	0.1	0.8	2.4
Denmark	4.8	3.7	3.0	21.6	na
Germany	17.4	15.5	15.7	16.4	17.0
Italy	0.5	0.4	1.3	5.5	11.2
Japan	0.04	0.04	2.4	1.6	1.7
Netherlands	0.9	1.6	3.8	7.3	23.0
UK	2.5	4.9	8.5	13.1	23.0
USA	0.2	1.1	5.3	5.7	10.9

Notes na = not available

1.2.3. Conclusion of the Craft Beer Revolution

The craft beer revolution officially started in the USA in the seventies and has had an immense impact on the rest of the world, as many other countries were influenced by the increase of American beer types. As a result, the number of breweries has climbed in many countries across the globe.
Belgium is historically known as being a "craft beer nation" as, for the last centuries, there have always been several breweries and beer types in the country. Also, since the seventies, the number of brewing entities per habitants in the small country has, after declining at first, escalated.

1.3. The Belgian Beer Market

This thesis section aims to provide information in order to understand the current beer industry and how historical events have affected the latter over the latest decades. Moreover, this chapter will give the readers of this thesis the needed knowledge to understand the context in which Lutgarde, the company that is analysed in part two, is currently growing. The Belgian Beer Market is here analysed for the 20th and 21st century, provided that events that happened in the 20th century impacted the industry for the following years.

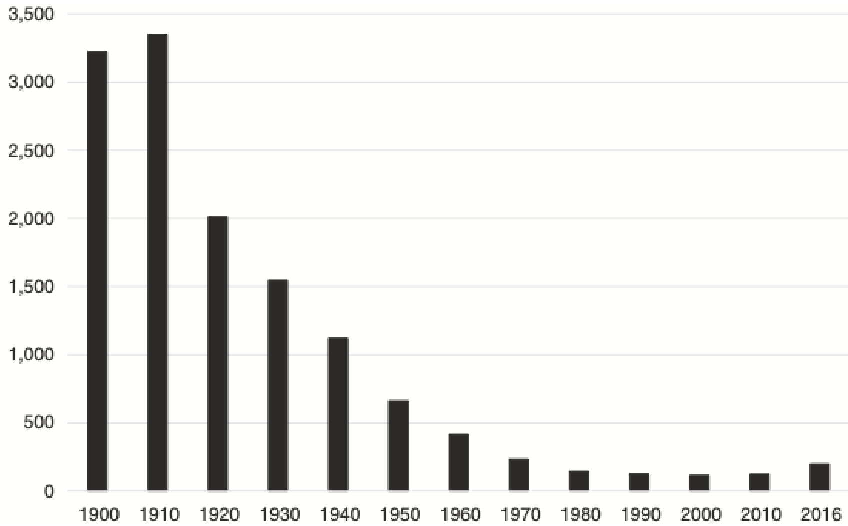
The craft beer industry has become popular and has grown immensely over the past decades. For that reason, the drivers of such growth for Belgium are studied. Moreover, the Belgian beer consumption is assessed by channel as well as by beer type. Furthermore, the increase in the production of Belgian beer is evaluated as well as the exports of Belgian beer. Finally, the response of Belgian companies to Covid-19 is analysed.

1.3.1. The Belgian Beer Market in the 20th and 21st century

A general trend is observable regarding the consolidation of breweries in the 20th century. Indeed, the number declined drastically due to either mergers, acquisitions, bankruptcy or just abandon. As can be seen on figure 1.2, an important decline is noticeable between 1900 and 1980. An all-time high was reached in 1910, with around 3.400 breweries, and a plunge was noticeable in 1990 and 2000, with around 110 remaining breweries. Then, the number of breweries started increasing again with around 200 breweries in 2015. Similarities were observed in other countries, such as the USA, the UK, the Netherlands and Denmark. Also, since the revolution occurred, there is a greater diversity in the types of beer produced in Belgium compared to other beer consuming and producing countries, such as the previously mentioned ones. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Figure 1.2

Number of Breweries in Belgium 1900 – 2016. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)



Some elements explain such significant consolidation in the 20th century. The main one is the importance of economies of scale, enabled through technological improvements. (Clemons, Gao, & Hitt, 2006) Indeed, beer production is increasingly automated, resulting in reduced bottling and packaging time, a more automated process regarding brewing, fermentation and other processes, as well as improved networks, which enable easy distribution. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Another element explaining consolidation is the introduction of a certain type of beer; the bottom-fermented one. These generate high fixed costs, contrarily to top-fermented beers. As a result, various breweries were to close their doors. A third contributing element is World War I and II. Indeed, breweries were unable to continue brewing during these periods, and an important lack of capital was noticeable, leading to the exit of many breweries, and the acquisition of smaller breweries by bigger ones. A last factor outlining the consolidation of Belgian breweries is the steady increase in advertising costs since the second world war. Again, only larger breweries could pay such costs, wherefore smaller breweries had to close their doors. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

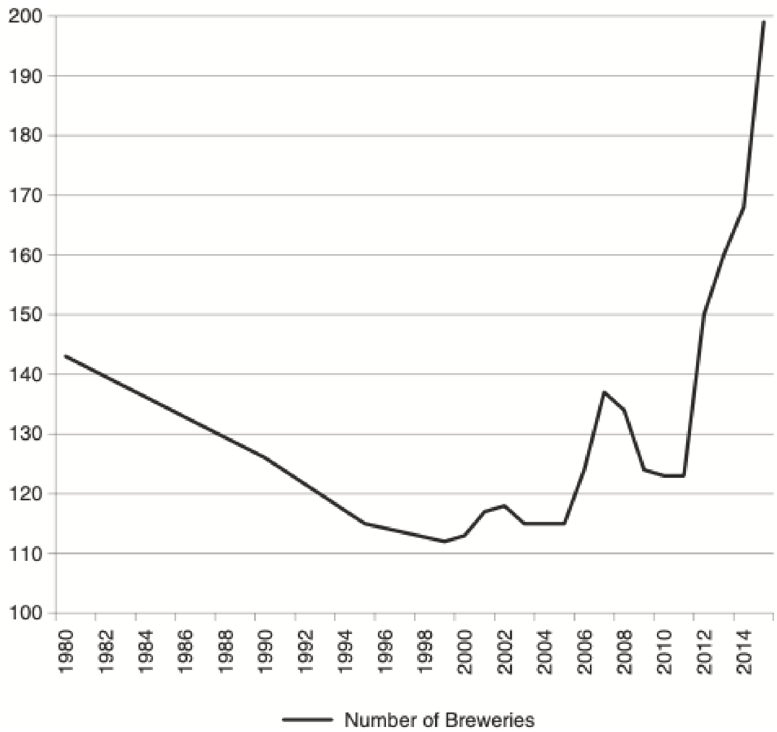
Consolidation went hand-in-hand with the increase in production of Lager beer, also commonly referred to as Pils. In the eighties, Lager beers represented over 75% of the market, leaving around a quarter for other types of beers. Craft beer represented 17% of the market. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018) In 2015, the market share of Lager beers was of 72% and 71% in 2017. (Statista, 2020c) These numbers show a general decline in the share of Lager beers. The decline remains however small.

As can be seen on figure 1.3, the number of breweries – and of brewers – was still in decline in the eighties, as there were more entities exiting the market than entering it. Then, in the following decade, the pace of entrance of breweries increased, as plenty entered the market. However, many of these had to close down rapidly after their opening, wherefore the number of breweries was still declining. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Then, while an all-time low was reached, in the beginning of the 21st century the trend reversed, as there were more breweries entering the market than breweries departing it. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018) According to Poelmans and Swinnen (2018), there were around 110 breweries in 2000, 123 in 2010 and up to 200 breweries in 2015, showing a small explosion in terms of number of Belgian breweries. Since 2015, there is an average of 10 Belgian breweries entering the market yearly with only a few of these leaving, showing a greater stability than in the nineties. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018) As can be seen on figure 1.3, the curve representing the number of breweries has been going up since 2011, showing a clear increasing trend.

Figure 1.3

Number of Breweries in Belgium 1980 – 2014. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)



Following the growing success of craft beer, access to capital for new players has become easier over the years for two main reasons. Firstly, due to the increase in the number of breweries and the success that goes alongside. Secondly, with the rise of third-party breweries – these are breweries with excess capacity or breweries that have as business plan to brew for others –, various newcomers, before investing in expensive brewing material, have proven their success through commercializing beers that were brewed by third-party breweries. As a result, banks are more eager to lend money and allow for further investment. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Along such success, macro breweries have amplified their interest in craft breweries. Consequently, multinationals as Anheuser-Busch InBev (AB InBev) have started taking over various craft breweries, such as Ginette and Bosteels. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018) As a result, the total number of independent craft breweries is declining. Today, the breweries that were taken over produce at a higher rate, which is partly due to the immense capital of multinationals (for example higher advertising expenses, higher technical production capabilities, etc.). (Dautinger, 2016) Consequently, even though the amount of craft breweries is decreasing, the market share of craft beer is gaining momentum. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

According to Poelmans and Swinnen (2017), Belgium is characterized by a "Dual Market Structure", having on the one hand a few large breweries, and on the other hand, various small craft breweries (around 95%). Despite brewing a great amount of different craft beer types, the latter make up for less than 10% of the entire Belgian beer production. More than 90% of Belgian beers are produced by only 5% of all Belgian breweries. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018) These numbers show the importance of macro breweries in the Belgian beer market.

1.3.2. Drivers of the Increase of Craft Breweries in the 21st Century

Since 2000, the number of breweries has increased, following an upward going trend. The factors affecting the increase in craft beer are similar than those in other countries, such as the UK, the Netherlands and Denmark. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018) According to Poelmans and Swinnen (2018), the main drivers of the growth of craft beer in Belgium are the following:

Counter-reaction to a reduction of beer types

As was already explained, the number of breweries collapsed in the twentieth century, leading to an important consolidation of breweries. As a result, the variation in beer types was reduced, leaving the consumers with a smaller choice regarding beer types and with Lagers dominating largely on the market.

As a result, consumers counter-reacted to such a narrow supply of beers in the eighties by looking for variety. Even beer consumer's associations were created, such as De Objectieve Bierproevers, showing consumers' desire to have access to brewing knowledge and to drink other types of beer. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Higher earnings

On the beer market, Lagers have always been cheaper than craft beers for many reasons, one of these being scale economies. In the 20th century, Lagers increased in popularity, while craft beer sales declined drastically, due to lower incomes. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018) Nevertheless, it has been shown that price elasticity and income do not follow a linear relationship. In fact, price elasticity tends to fall when income increases, and can sometimes become negative. This means that once above a certain level of earnings, a decline is to be noticed regarding beer consumption, as alcohol consumers with high earnings have a tendency to consume other products than beer. (Colen & Swinnen, 2016)

In the beginning of the 21st century, the level of income began to rise, resulting in a global decline of consumption of traditional beer and a switch towards craft beers that were seen as a higher standing alternative to Pils or Lagers. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Influence of historical beer type variations

In the past, there were impressive variations in beer types in Belgium, and these historical variations have had a positive impact on the range of craft beer that are produced in Belgium nowadays. As a result, the latter maintains a large availability of beer types and gets to keep the title of "craft beer nation". (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Trappist and Abbey beer producers

Monks and other brewers played a key role in keeping Trappist and Abbey beers alive through the years. As a matter of fact, without these players, various beer types would have disappeared during World War I and II. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Newcomers

The newest craft breweries found various ways to enable a competitive growth through the years, such as intermediary brewing – having their beers brewed by third party breweries – in order to keep capital investment low in their first years of existence. This would allow these newcomers to lower the entry barrier of this competitive industry and only invest in their own production equipment and brewery when having enough positive cash flow. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Increased technology

The increase in brewing technology, such as smart brew tanks and automated brewing processes, along with the increased sharing of knowledge and know-how have contributed to the large number of emerging craft breweries. Undeniably, since the brewing process takes less time today than what it used to in the past, and since knowledge has been shared throughout the centuries and across the borders, brewing is becoming more accessible. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Multinationals' response

Since 2000, several macro breweries have recognized the potential of microbreweries and have, as a result, adopted an aggressive response by acquiring various craft breweries. Consequently, an important share of craft breweries is owned by bigger players, allowing the acquired microbreweries to increase their beer-type portfolio and to sell larger quantities. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

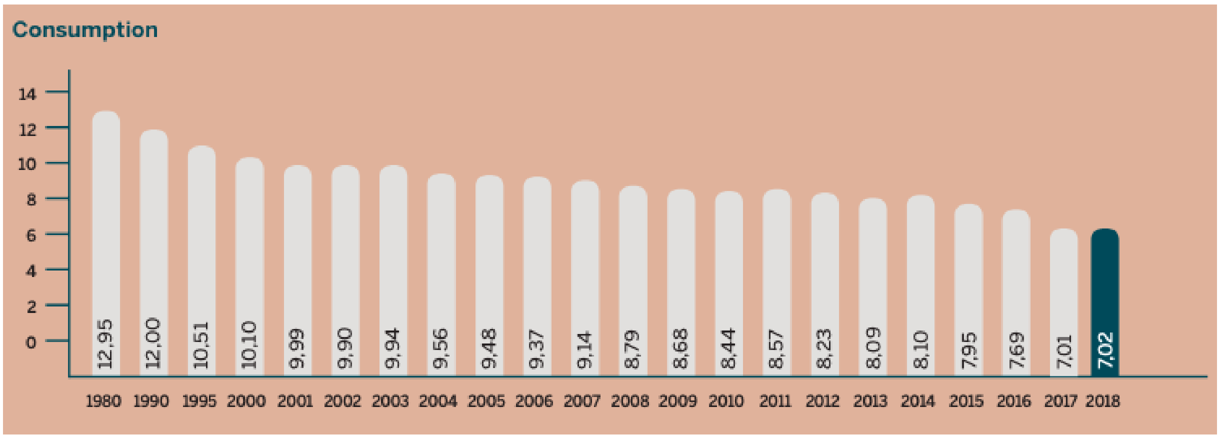
1.3.3. Belgian Beer Consumption

As mentioned previously, the rise of craft beer occurred simultaneously with the decline in the number of breweries. In the seventies, total beer consumption, as well as the market share of Lager beers were at their highest, while the market share of craft beer was at its lowest. Since then, the consumption of beer per person has been declining. As a matter of fact, the beer consumption per capita was of 132 litres in the seventies, while it has fallen to just under 70 litres in 2018. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018; Statista, 2020b) As can be observed on figure 1.4, Belgium has seen a significant decline of 45,8% in beer consumption between 1980 and 2018, from 12.95 to 7.02 million hectolitres. (Belgian Brewers, 2018)

The main reasons for a decline in consumption are the reduced acceptance regarding the use and / or abuse of alcohol, an increased preference in non-alcoholic beverages, as well as a change in consumer behaviour, shifting from *economisation* to *premiumisation.* The latter refers to consuming beers of higher quality and higher price in lower volume, while *economisation* refers to buying an important amount of beer for a lower price. (Garavaglia & Swinnen, 2018; Piron & Poelmans, 2016; Poelmans & Swinnen, 2018)

Figure 1.4

Belgian Beer Consumption 1980 – 2018 (in million hectolitres). (Belgian Brewers, 2018)

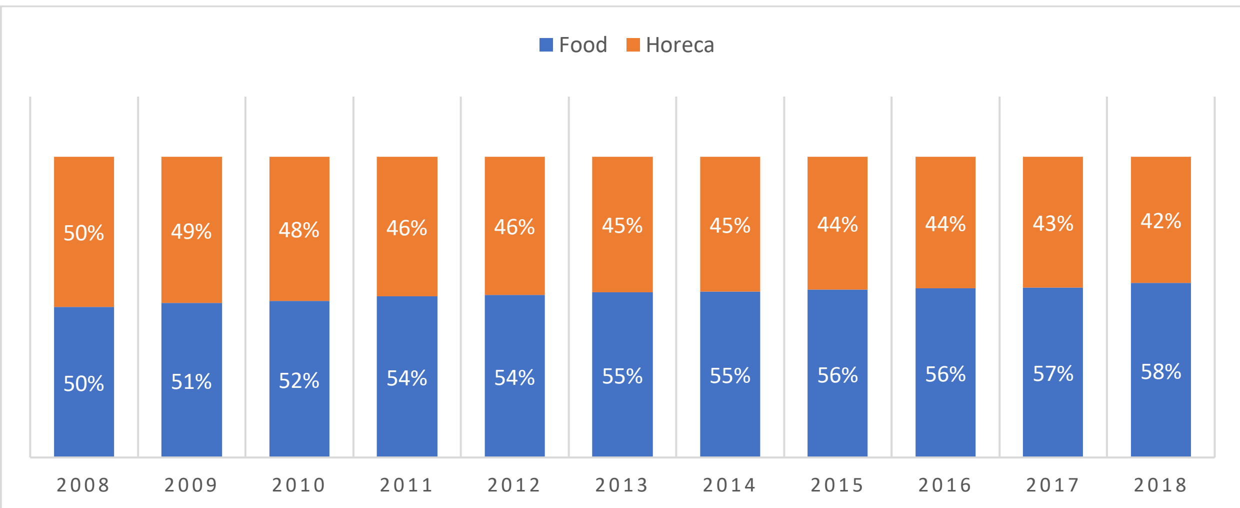


A distinction is made regarding the origin of the purchase of beer in order to understand consumer behaviour. Therefore, two main segments are identified, Food and Horeca. The former refers to retail (supermarkets, shops, etc.), and the latter to consumption in / through hotels, restaurants, bars and catering. From the overall consumption, 58% (which equals to 4.08 million hectolitres) originated from the Food industry in 2018, while this segment made up for 50% of the overall consumption in 2008.

As can be seen in table 1-3, the beer consumption has somehow shifted from the Horeca towards the Food channels over time. To conclude, the share of beer consumed in restaurant, bars and hotels has reduced, while the share of beer bought via Food channels has increased.

Table 1-3

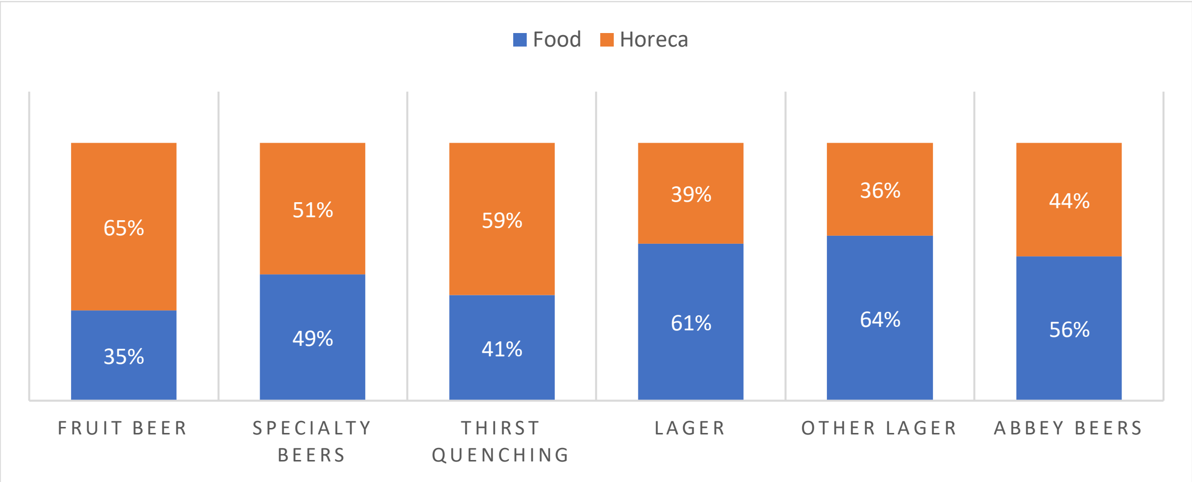
Beer Consumption in Belgium per channel 2008 – 2018 (in percentage), adapted from 2018 Annual Report. (Belgian Brewers, 2018)



Then, as mentioned previously, different types of beer exist. The consumption per type of beer is broken down in order to analyse further consumer behaviour and understand which beer types are bought via the Food and / or Horeca channels. According to the 2018 Belgian Brewers report, 6 main types of beer exist: Fruit beer (geuze, kriek, fruit), Specialty beer (strong golden ales, regional, pale ale, stout, scotch-x-mas), Thirst Quenching (sour beer, amber, white), Lager (also referred to as Pils in this thesis), Other Lager (table beer, non-alcoholic, low alcohol, luxury ale) and Abbey Beer (Abbey beers, Trappist). (Belgian Brewers, 2018) In table 1-4, the breakdown is split between the Food and Horeca sector and is as follows.

Table 1-4

Consumption breakdown by Beer Type (in percentage), adapted from 2018 Annual Report. (Belgian Brewers, 2018)

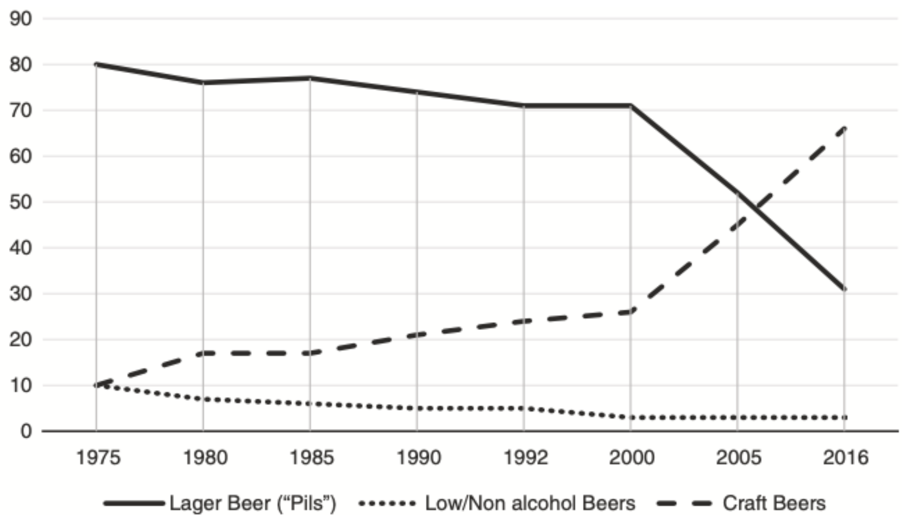


From these numbers, it can be concluded that the chosen channel to buy beer depends on the type of beer. Indeed, a majority of Lager, Other Lager and Abbey Beers are bought via Food channels, while Fruit Beer and Thirst-Quenching Beers are most commonly bought via Horeca channels. Specialty Beers find a 51-49 ratio wherefore no preferred channel has been identified. (Belgian Brewers, 2018)

Regarding Belgian beer consumption, while the share of Pils has declined, the share of craft beer has increased relatively to other beers since the seventies, as can be seen on figure 1.5. In Belgium, the share of craft beer in consumption (including ex-craft beer that are now produced by macro breweries) made up for around 10% in 1975, 17% in 1980, 21% in 1990, 26% in 2000 and around 65% in 2016. These numbers show a clear trend, namely the decrease in share of Pils beer and the fast increase in the share of craft beer. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Figure 1.5

Beer Consumption by Type in Belgium 1975 – 2016 (in percentage). (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)



Then, an emphasis is put on Abbey beers, since these beers are focused on for the case study presented further in the thesis. The share of Abbey beer consumption augmented from 9% in 2005 to 14,7% in 2011, as can be seen on table 1-5. However, as of 2011, the share of consumption shows a slight decrease for Abbey beers. In 2016, the share of Abbey beer consumption decreased to 13,9%. This means that although Abbey beers played an important role in the rise in craft beer consumption, the share of these beers in consumption has slightly declined between 2011 and 2016. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Regarding Lager beers, a clear downward going trend is noticeable, as the share of consumption of this type of beer represented 52% in 2005 and declined to 30% in 2016. This shows, once again, that the share of Lager beer in consumption is declining over the years, while the share of craft beers is increasing in consumption.

According to Poelmans and Swinnen (2018), it was concluded that the increase in the share of craft beer in Belgian consumption came from a rise in regional beers. Regional beers made up for 6% of the share of consumption of beers in 2005 and increased to 15% in 2016. The latter are considered as the newest types of craft beer. Interestingly, it is important to notice that Regional beers can also be Abbey beers at the same time. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

Table 1-5

Evolution of beer consumption by preferred beer type in Belgium 2005 – 2016 (% of total). (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

	Lager beer ("Pils")	Trappist	Abbey	Regional beer	Strong blond beer	Other beer types
2005	52	5	9	6	7	21
2011	38.4	12.9	14.7	8.8	13.5	11.7
2016	30.8	12.4	13.9	15	14.2	13.7

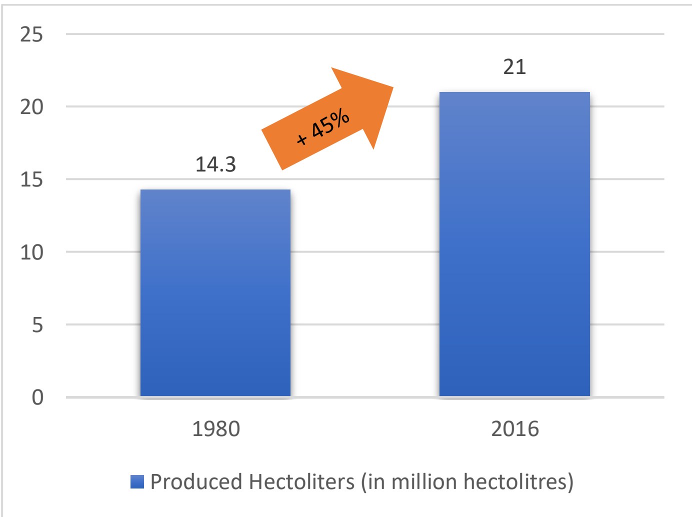
1.3.4. Belgian Beer Production

Beer is commonly associated with Belgium, similarly to wine with France and pasta with Italy. Over 1.500 types of beer are produced in the country, using different fermentation methods and making the beer heritage of Belgium strong. In 2016, beer has even been inscribed as an Intangible Cultural Heritage of Humanity by UNESCO, showing the importance of the beer production and culture in Belgium. (UNESCO, 2020)

Regarding the Belgian production of beers, a clear increase has been perceived since the eighties. In fact, as can be observed on table 1-6, an increase of 45% has been measured between 1980 and 2016, when 14.3 and 21 million hectolitres were produced respectively. (Belgian Brewers, 2016)

Table 1-6

Produced Hectolitres in Belgium 1980 – 2016 (in million hectolitres), based on Belgian Brewers (2016).

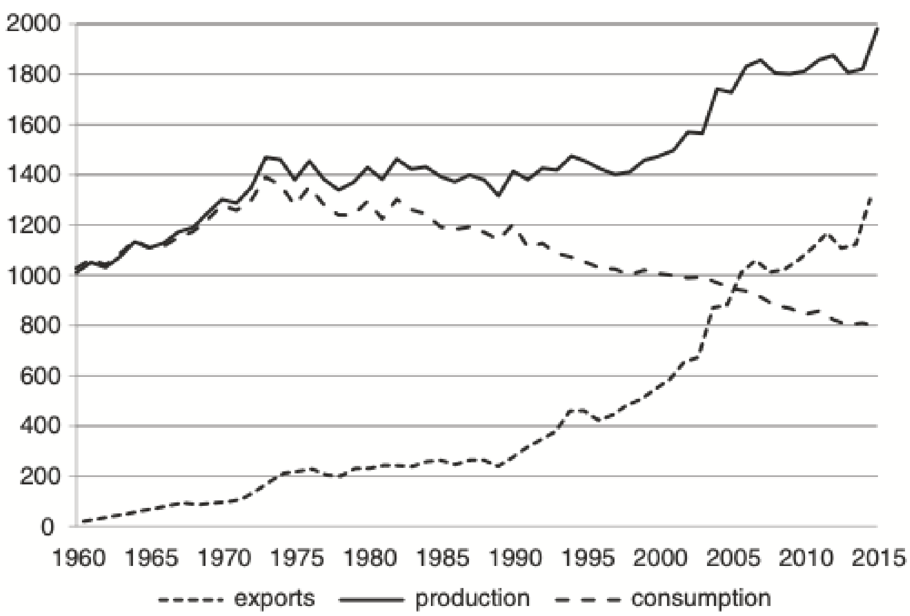


1.3.5. Belgian Beer Exports

With a decline in consumption and an increase in production, it is not much of a surprise to note an increase in exports of Belgian beers since the nineties. As can be seen in figure 1.6, in 1960, Belgium was exporting 2% of the Belgian production, which amounted to 205 thousand hectolitres. In contrast, in 2015, 66% of the production was exported, amounting to 13 million hectolitres of beer. Since 2005, Belgium is even exporting more than its domestic consumption. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018) As of 2017, Belgium becomes the top European beer exporting country with an export total of 15,8 million hectolitres. (Belgian Brewers, 2018)

Figure 1.6

Beer Exports, Production and Consumption in Belgium 1960 – 2015 (in millions of litres). (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)



In 2018, 16,19 million hectolitres were exported, with 66,7% being exported in Europe and the rest (33,3%) outside of Europe. As can be seen on table 1-7, in 2018, the 10 main Belgian beer importing countries were – in decreasing order – France (4,55 million hectolitres), the Netherlands (2,86 million hectolitres), The USA (2,34 million hectolitres), Germany (1,56 million hectolitres), China (614 thousand hectolitres), Italy (627 thousand hectolitres), Canada (440 thousand hectolitres), The UK (301 thousand hectolitres), South Korea (400 thousand hectolitres), and finally Japan (107 thousand hectolitres). (Belgian Brewers, 2018)

Table 1-7

Top 10 importing countries of Belgian beer and export figures per country 2018 (in hectolitres), adapted from 2018 Annual Report. (Belgian Brewers, 2018)

Importing countries	Hectolitres (2018)
France	4,55 million hectolitres
The Netherlands	2,86 million hectolitres
The USA	2,34 million hectolitres
Germany	1,56 million hectolitres
China	614 thousand hectolitres
Italy	627 thousand hectolitres
Canada	440 thousand hectolitres
The UK	301 thousand hectolitres
South Korea	400 thousand hectolitres
Japan	107 thousand hectolitres

This recent increase in exports is partially due to the growth of multinationals, such as AB InBev. Interestingly, even though craft breweries and multinationals are somehow competitors, a special synergy has grown in export strategies between both. Indeed, both the long history of Belgian beer and the preference of a new type of international beer drinkers who prefer craft over traditional beer have benefitted from Belgian exports. Consequently, these have strengthened each other's exports. Though Belgian beers are present worldwide, their spread is not exclusively enabled by Belgian multinationals. Instead, some Belgian craft breweries are now owned by foreign multinationals, such as Affligem is now owned by Heineken. Finally, since many Belgian craft breweries have found inspiration in foreign recipes, the flavours and tastes of Belgian beers might feel more approachable and / or accessible to foreign consumers. (Garavaglia & Swinnen, 2018; Poelmans & Swinnen, 2018)

1.3.6. Impact of Covid-19 on the Belgian beer market

Since March 2020, the Belgian economy is greatly impacted by a worldwide sanitary crisis due to the Covid-19 pandemic. The impact of the virus is therefore specifically analysed for the beer industry. For that matter, one interview took place on the 8th of April 2020 with Ophélie De Lovinfosse; sales representatives at Brussels Beer Project, as well as one interview on April 10th with Sophie De Saeger; consumer activation executive in the retail sector at AB InBev. The former interview accounts for craft breweries, while the latter represents the five largest multinational firms in the beer industry, which are referred to as the Big Five in this report.

Since the 18th of March 2020, a nationwide lockdown was imposed by the government due to Covid-19. Meaning that only essential workers were permitted to leave their homes for work. Most people were only allowed to leave their homes for specific reasons, such as buying food, visiting a doctor, a brief period of exercise, etc. As a result, restaurants and cafés have closed their doors, limiting the possibilities of purchasing alcoholic beverages exclusively to the retail sector (supermarkets, shops, etc.). According to Sophie De Saeger, consumer behaviours have changed. Though people have purchased more alcohol in retail stores than what they used to, personal consumption has not increased.

This is confirmed by a survey that was led by the Université Catholique de Louvain in April 2020. The purpose of the study was to investigate the alcohol consumption of Belgian adults in quarantine. Over 10.000 people participated in the survey. Figures demonstrate that while 25% of respondents have increased their consumption, 46% have kept a stable consumption and 29% have reduced their consumption. This general drop of alcohol consumption is explained by the lack of social contact. (UCLouvain, 2020)

I. The Big Five

Regarding AB InBev, Sophie De Saeger affirms that beer sales in retail have increased during the two last weeks of March as consumers feared a severe lockdown. However, since the beginning of April, this trend has reversed. Sales have diminished and are lower than their expected volume, based on historical data. This is, according to Sophie De Saeger, mainly due to the fact that all events have been cancelled, and that, even though people are drinking more often on a weekly basis, their consumption remains rather limited as it is spread over the week in small amounts.

AB InBev usually records a yearly sales boost during the month of April, thanks to the Spring holidays. During this period, many events are usually organized where beer is served, both privately and professionally. Moreover, in order to incentivise consumers to buy AB InBev beers during this prolific period, the company launches various promotional campaigns. Though, this year due to the crisis, all events have been cancelled and gatherings have been prohibited. Furthermore, the Belgian government has banned all promotional campaigns in supermarkets between the 19th and the 30th of March 2020 with the purpose of reducing the number of empty shelves. This partly explains the clear sales decrease in the retail sector for AB InBev.

On top of experiencing a sales drop in retail shops, all Horeca institutions are closed, wherefore overall sales have plunged. Sophie De Saeger mentions that around 60% of AB InBev's sales originate from the retail sector, whilst the remaining 40% originate from Horeca institutions as well as festivals and other events. As a result, 40% of AB InBev's sales are currently on hold. (De Saeger, 2020)

By extrapolating these conclusions to the Big Five, it can be assumed that due to Covid-19 these multinationals experienced first a temporary boost of retail sales during the first two weeks of the crisis, followed by a significant decrease of the global sales volume across both the Belgian retail and Horeca sector when compared to historical volumes.

II. Micro-breweries

Compared to the Big Five, craft breweries are less present in the Horeca sector. Indeed, due to exclusive contracts as well as fierce competition, most craft beers are sold at retailers rather than in the Horeca industry. Regarding craft beer sales in Belgium, during the first three weeks of quarantine, craft beer sales have dropped with an average of 12% in Delhaize and Carrefour retailers. This was due to the fact that people prioritized buying Pils beer – which is less expensive. Indeed, sales in Pils beers appeared to have increased by 2%. However, since the second week of April, craft beers sales have started increasing again, showing a sign of recovery for microbreweries. However, the increase in sales does not make up for the losses that were registered previously, resulting in a general decrease in beer sales due to Covid-19. (De Lovinfosse, 2020c)

When compared to Big Five companies, craft breweries have one main disadvantage: having a lower liquidity buffer. As costs are difficult to reduce on short notice and revenues are decreasing, small breweries are rapidly burning through their cash reserves. Therefore, some craft breweries might go bankrupt due to this crisis.

As a response to Covid-19, various micro-breweries have thought of alternative ways to increase their sales. For example, Brussels Beer Project has launched "Survival Packs": special home-delivered beer packs that can be ordered online.

1.3.7. Conclusion of the Belgian Beer Market

In the 20th century, the number of Belgian breweries declined significantly. This reduction was mainly due to the consolidation (mergers, acquisitions, bankruptcy or abandon) of breweries. Along such reduction came the increase in consumption of Lager beer, which occupied a large share of the beer market (80% in 1975).

After the craft beer revolution in the seventies, the number of breweries first continued to decline and after reaching an all-time low in 2000, the number of breweries started increasing again. From these, a majority of craft breweries survived. Nevertheless, this augmentation remains rather small compared to the aforementioned decline in the number of breweries.

Several drivers were responsible for the rising success of craft beer in Belgium and led to the acquisition of several craft breweries by multinationals. The latter are considered as occupying a majority of market shares in Belgium and make up for 90% of the entire Belgian beer production, while multinationals own only 5% of the breweries of the country.

Generally speaking, the Belgian beer sector has changed over the past decades. While the production and exports of Belgian beer have skyrocketed, Belgian consumption has collapsed since the craft beer revolution.

Finally, due to the pandemic caused by Covid-19, though sales of alcoholic beverages have increased at the beginning of the crisis, alcohol consumption has declined during the lockdown in Belgium. Consequently, both Big Five companies as well as craft breweries notice a general decrease in sales.

1.4. Porter's Five Forces Analysis

Porter's Five Forces is a framework that was named after Michael Porter, a professor of Harvard Business School who developed the model. According to Johnson et al. (2017), "Porter's Five Forces Framework helps to analyse an industry and identify the attractiveness of it in terms of five competitive forces; the extent of rivalry between competitors, the threat of entry, the threat of substitutes, the power of buyers and the power of suppliers." Together, these forces compose the structure of an industry and help determine its strengths and weaknesses. When the latter forces are high and / or strong, the attractiveness of an industry is considered as being low. (Chappelow, 2019; Johnson et al., 2017) In the following chapter, each of the five forces are analysed with regards to the Belgian beer market.

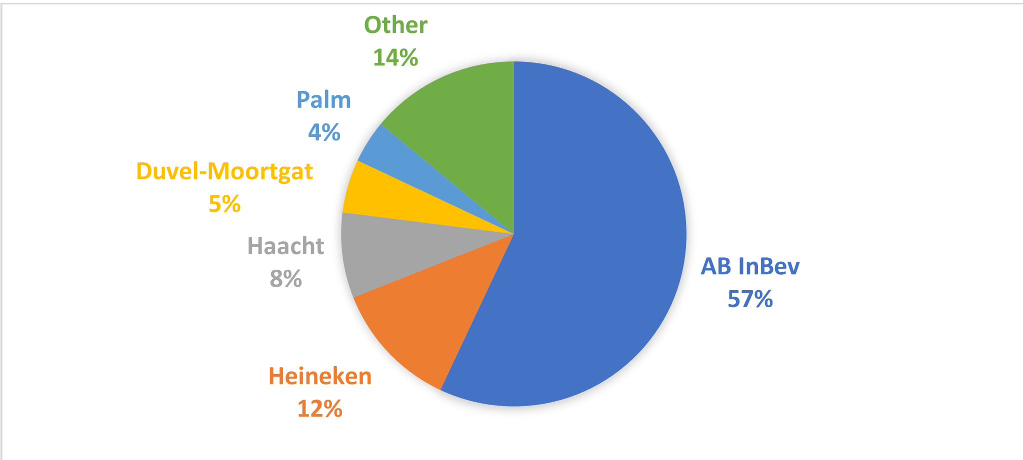
1.4.1. Competitive Rivalry

Being at the centre of the Five Forces framework, investigating the rivalry between existing players is of upmost importance when considering whether to enter or not a market. (Johnson et al., 2017) In this section, players of the Belgian beer industry have been divided into three main categories: craft breweries, in-between breweries and macro breweries, also referred to as multinationals.

Globally, in 2019, the beer production was mainly controlled by a couple of macro breweries. Indeed, around 70% was accounted for by AB InBev, SAB Miller, Heineken and Carlsberg. (Ján Pokrivčák et al., 2019)
Regarding Belgian beer production, AB InBev's market share was of 57% in 2019, followed by Heineken – the macro brewery that took over Alken-Maes – which owns around 12% of the Belgian market share. Then, as can be seen on figure 1.7, Haacht owns 8%, Duvel-Moortgat 5% and Palm 4% of the market share. These are the five biggest breweries and are referred to as the Big Five. Together, these macro breweries owned 86% of the Belgian market share in production in 2019. (Poelmans & Taylor, 2019)

Figure 1.7

Market Share of breweries in Belgium in 2019, adapted from Belgium's historic beer diversity. (Poelmans & Taylor, 2019)



Multinationals and macro breweries benefit from various advantages when compared to craft breweries. A few examples are economies of scale, economies of scope, little to no financial restrictions, capital to invest in research and development, overcapacity enabling them to expand their volumes and immense marketing budgets. (Yuleva, 2019) The latter elements make competition fiercer for smaller players. Indeed, unlike the Big Five, craft breweries do not have access to similar benefits since these have to pay higher fixed costs as they do not benefit from economies of scale. As a result, the price that is charged for their products is higher. (Dewilde, 2017) For example, the price of a Lutgarde beer for example is €2,50, while the price of a Jupiler is €1,14.

Moreover, it was assessed that in 2017, 30% of all Belgian bars had an exclusivity contract with one of the Big Five. Such contracts offer various advantages to bars, such as lower rentals for example, since the rented establishments belong to the concerned Big Five. Other advantages are financial assistance for machinery, renovation and for the supply of equipment to name a few. In exchange, bars under exclusivity contract are obliged to obtain supplies from the macro brewery under a set price and quantity. (Anderson et al., 2018; Padoan, 2015; SPF Economie, 2017)

Due to exaggerations, various bar and café holders have complained and denounced an unfavourable system, as these rely on one single supplier and do not have the possibility to offer a wider range of products. Moreover, bar and café holders under exclusivity contracts face minimum purchase quantities and high fixed prices. (Anderson et al., 2018; Padoan, 2015; SPF Economie, 2017) Following these complaints, exclusivity contracts have changed since 2015. These are still applicable for cold drinks such as water and softs. Regarding hot drinks and other derived products (biscuits, snacks, etc.), café and bar holders are able to choose between several suppliers. Concerning beer, café and bar holders have the possibility to sell two special beers brewed by other Belgian breweries. In case of breach of contract, reimbursements are minor and quotas regarding the number of litres that have to be sold are set to be more realistic. These latter elements are reviewed by the government on a yearly basis with the purpose of promoting competitiveness in Belgium. (Padoan, 2015)

Besides the Big Five, other Belgian breweries were competing for the remaining 14% of the market shares in 2019. Indeed, 194 breweries are in fierce competition and each owned less than 3%. (Poelmans & Taylor, 2019) However, as previously mentioned, the number of craft breweries has increased in Belgium since 2000 and their popularity has gained momentum, wherefore a clear advantage exists for Belgian craft breweries. (Garavaglia & Swinnen, 2017; Poelmans & Swinnen, 2018)

The last type of breweries that is looked into is the middle-sized breweries. These do not specifically target one type of customer. As a result, according to an interview led by Dewilde (2017) with a member of the board of directors of AB InBev, these breweries will be the ones suffering the most in the upcoming years. This is due to the fact that on the one hand, they are not offering craft beers, wherefore they cannot charge a higher price than Lagers for example and on the other hand, they do not have access to the previously mentionned benefits of macro breweries. (Dewilde, 2017)

Taking into account all of these elements, the competitive rivalry of the Belgian craft breweries is considered as being **high**.

1.4.2. The Threat of Entry

Competition is influenced by the accessibility of an industry. If the threat of entry is high, it will be rather negative for an industry's incumbents. Also, the higher the entry barrier, the lower the threat of newcomers, as the latter need to overcome entry barriers if these wish to enter an industry. (Johnson et al., 2017)

According to Johnson et al. (2017), the five most important entry barriers are:

a) Access to supply or distribution channels

As mentioned previously, craft beers are getting more popular, easing the access to supply and distribution channels for craft breweries, which used to be more challenging in the past. According to Ophélie De Lovinfosse (Brussels Beer Project's sales representative) who was interviewed on February 20th 2020, getting access to taps in bars is not an easy task. However, since exclusivity contracts do not refrain craft breweries from selling beers in bars owned by macro breweries, the entry barriers have lowered slightly. Also, the interviewee mentioned the overall increase in craft beer demand and supply. Consequently, restaurants and bars are interested in selling bottled craft beer or craft beer on tap. Additionally, weekly tours are organised by travel agencies for tourists with the purpose of visiting craft breweries that are located in Brussels. Such tours increase the access and visibility of small breweries. Finally, specialized bars and beer shops have opened since 2010. These focus solely on selling craft beers, increasing the access to supply. (De Lovinfosse, 2020a)

b) Scale and experience

The Big Five experience economies of scale regarding production, marketing and distribution, allowing them to increase their profit. Despite scale and experience, many craft breweries have emerged over the years. Regarding economies of scale, the latter do not need to invest in brewing material at their creation. Instead, these can have their beers brewed by third party breweries. (Garavaglia & Swinnen, 2018)

Then, the price of craft beers is known as being higher than the price of traditional beers. According to Garavaglia and Swinnen (2018), most consumers are willing to pay a higher price in order to get a distinctive product. Also, craft breweries use different distribution and advertising channels than the Big Five. Indeed, these sell locally, use little distributors and avoid mass advertising by focussing on cheaper marketing techniques by using mostly social media as well as their exposure at events – such as craft beer festivals. (Garavaglia & Swinnen, 2018)

c) Expected retaliation

Many craft breweries have entered the market lately without generating a price war or another type of retaliation. Therefore, expected retaliation should not refrain craft breweries from entering the beer market. (Johnson et al., 2017)

d) Legislation or government action

As mentioned previously, exclusivity contracts have been adapted. Indeed, bars and cafés under exclusivity contracts are allowed to sell a larger portfolio of beers, showing an opportunity for new entrants.

e) Incumbency advantages

Thanks to economies of scale, most incumbents have access to cost advantages. To some extent, microbreweries are also enjoying from some of these benefits. As a matter of fact, as the success rate of microbreweries is high, banks are less reluctant to provide newcomers with capital and access to infrastructures. Also, basic brewing technology and raw material are now easily accessible cost wise. (Garavaglia & Swinnen, 2018)

All in all, the threat of entry is considered as being **high**.

1.4.3. The Threat of Substitutes

Substitutes are referred to as products and / or services that have a different nature, but that are alike and that are of similar utility to an industry. (Johnson et al., 2017) Regarding substitutes to craft beer, the main are identified as being non-alcoholic beverages, wine and spirits. (Jan Pokrivčák, Lančarič, Savov, & Tóth, 2018)

According to Johnson et al. (2017), there are two main elements to keep in mind when assessing the threat of substitutes, namely:

a) The price / performance ratio

For the price / performance ratio, it is hard to analyse the performance part, as it depends on consumers preference. However, a clear trend towards a healthier lifestyle is noticeable, going hand in hand with the reduction in consumption of alcoholic beverages. The latter trend is in disfavour of craft breweries. (Bader-Ul-Ain, Abbas, Saeed, Khalid, & Suleria, 2019) Nevertheless, both wine and spirits are pricier, while beer and non-alcoholic beverages tend to be less costly.

b) Extra-industry effects

Regarding buyers' switching costs, these are worthless, as consumers do not undergo costs when switching from the one beverage to the other. (Garavaglia & Swinnen, 2017)

To conclude, the threat of substitutes is considered as being **medium**, as wine and spirits are potential substitutes to beer (though these are pricier), and as the healthy trend of drinking non-alcoholic beverage might reduce the sales in beer.

1.4.4. The Power of Buyers

In this section, the emphasis is put on consumers buying directly from a company instead of the end-consumers. Consumers buying directly from a company are referred to as being the buyers. When buyers have a high power, they can order to pay lower prices.

According to Johnson et al. (2017), the power of buyer will be rather high if the following elements are fulfilled:

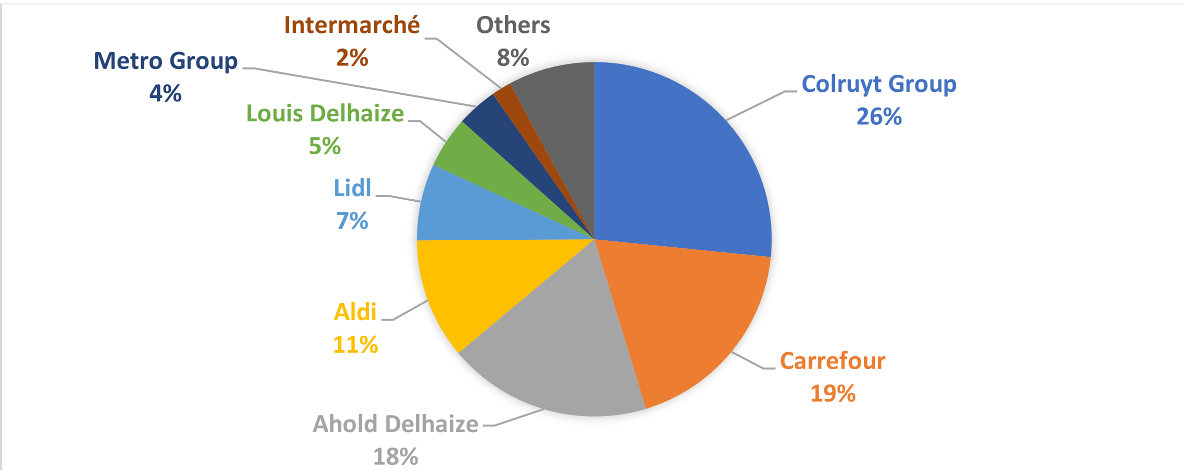
a) Concentrated buyers

When few customers are responsible for an important share of sales, their power is amplified, wherefore few concentrated buyers have more power. Direct craft breweries' consumers are retail (supermarkets) and Horeca (bars and restaurants) institutions. (De Lovinfosse, 2020a) Regarding the former, there are a couple of dominating retailers, as can be seen on figure 1.8. Colruyt Group is the largest retailer, owning 26% of market shares, followed by Carrefour (19%), Ahold Delhaize (18%), Aldi (11%), Lidl (7%), Louis Delhaize (5%), Metro group (4%) and Intermarché (2%). Together, these big players hold 92.1% of the market share. (Bolla, 2018)

These are selling many beers from the Big Five, especially beers from the giant AB InBev. However, as previously mentioned, the share of craft beer in consumption is still rising, resulting in an increase in demand from end-consumers (the people drinking beer), consumers (retailers) and suppliers. Consequently, retailers are willing to sell craft beers, wherefore small players have access to dominating retailers. (De Lovinfosse, 2020a)

Figure 1.8

Market Share of retailers in Belgium in 2018, adapted from The Belgian Food Retail Market (Bolla, 2018)



For craft breweries, although there are various independent bars that are not under an exclusivity contract, an important share is still controlled by big players, making the entry to these bars rather hard. Concerning bars and restaurants, these are inclined to sell craft beers. While getting access to taps is not an easy task (because there are limited taps in bars), selling bottled beers is relatively easy as there is generally enough room in bars to store bottles. (De Lovinfosse, 2020a)

b) Low switching costs

Buyers have low switching costs with regards to craft beers. These can easily negotiate their position and change from craft beer supplier. (De Lovinfosse, 2020a)

c) Buyer competition threat

Buyers do not have the capability to supply themselves, as vertical integration is unlikely to happen. As a result, the buyer competition threat is low. (De Lovinfosse, 2020a)

d) Low buyer profits and impact on quality

Regarding retailers, most of them are profitable and do not need to reduce purchasing costs. Also, the quality and reputation of retail shops will not be impacted by the sold craft beers, as demand for these is high. (De Lovinfosse, 2020a)

Concerning the Horeca sector, the quality of these institutions is not likely to be impacted by the sale of craft beers. Then, bars and restaurants that are not profitable might decide to cut out craft beers from their offer, since these are more expensive to buy and to sell to end-customers when compared to traditional beers. (De Lovinfosse, 2020a)

With regards to the above-mentioned elements, the power of buyers is considered as being **medium**.

1.4.5. The Power of Suppliers

"Suppliers are those who supply the organisation with what it needs to produce the product or service. As well as fuel, raw materials and equipment, this can include labour and sources of finance." (Johnson et al., 2017)

The suppliers' power is expected to be high when there are the following elements:

a) Concentrated suppliers

In order to produce beer, the main ingredients that are needed are yeast, wheat malt, hops and water. (Garavaglia & Swinnen, 2018; Weersink, Probyn-Smith, & Von Massow, 2018) The latter is simply water that comes from the tap, wherefore there is no threat with regards to suppliers. Regarding malt and yeast, these are mostly imported and do not represent a threat to craft breweries. (Garavaglia & Swinnen, 2018; Jan Pokrivčák et al., 2018) However, due to the increase in microbreweries over the past decades, hops are getting more expensive. AB InBev has made a vertical integration with one of the biggest hop companies, reducing the supply on the market. With the important market share of the Big Five, small producers' access to ingredients might become tougher. (Douglas, 2017)

Then, equipment, machinery and packing essentials such as barrels, kegs, bottles, cans and growlers are also needed for craft breweries. These are largely available and easily accessible, wherefore there is no threat. (De Lovinfosse, 2020a)

b) High switching costs

Switching from supplier is free of cost for craft breweries, wherefore switching costs are considered as being low for breweries. (De Lovinfosse, 2020a)

c) Supplier competition threat

While suppliers might be acquired vertically, these have little motivations to integrate breweries vertically themselves. As a result, the supplier competition threat is low. (Garavaglia & Swinnen, 2017)

d) Differentiated products

Products in the craft beer industry are not necessarily differentiated, except for hops. Indeed, macro breweries as the Big Five use traditional hops for most of their beers, while craft breweries use more extraordinary hops. Nevertheless, substitutes can be found for most products, wherefore the threat of differentiated products is low.

Considering the above-mentioned elements, the power of suppliers is rather **medium**.

1.4.6. Summary

After analysing the Five Forces of Porter with regards to the beer industry, results lead to the conclusion that the beer market is rather dynamic and somewhat competitive.

Table 1-8

Summary of Porter's Five Forces for the Belgian brewing industry.

Competitive Rivalry	Threat of Entry	Threat of Substitutes	Power of Buyers	Power of Suppliers
High	High	Medium	Medium	Medium

2. Lutgarde – Analysis of the Company

This section covers the case study of a young craft beer company founded in 2017, called Lutgarde. This analysis is structured in four main parts.

Firstly, a main introduction of the company is presented. The following elements are covered: Lugarde's identity card, core values, funding, financial position, production, data related to distribution channels as well as the company's marketing and projects. Also, in view of the worldwide Pandemic, Lutgarde's response regarding Covid-19 is investigated.

Secondly, the segmentation of beer consumers is given as well as the targeting and positioning of Lutgarde and its three main competitors. This is done with the purpose of analysing how rivals take action to attract their target market in comparison with Lutgarde.

Thirdly, a SWOT analysis is presented, summing up how the company uses its strengths to take advantage of its opportunities, and what its main weaknesses and threats are.

Finally, based on the SWOT analysis, Lugarde's successes and failures are investigated. To do so, the different successful actions undertaken by the company are studied, followed by elements that could have been improved.

2.1. Introduction of the company

A main introduction of Lutgarde is given in this sub-section, providing the identity card of the company. The latter tackles the company's history, sold products, employees, etc. Then, both the vision and the mission of Lutgarde are presented, followed by the funding of the company. Subsequently, the position on the last three years and the rather positive forecasts for 2020 – 2022 are studied on both financial and production aspects. Forecasts show a steady growth in both areas. Distribution channels, marketing as well as projects in which Lutgarde has invested are also investigated. Finally, the company's response to Covid-19 is described.

All the below-mentioned information come from interviews led with Lutgarde's founders, except when another source is specifically mentioned. Interview were led on the 17th of March and on the 20th of May 2020 with Victor and Augustin Limauge.

2.1.1. Identity Card

The Abbey of Aywiers[1] was founded in 1215 by a community of Cistercian sisters, the "Awirs". These sisters followed the monastic rule of Saint Benedict. The Awirs were hosted in the abbey for around six centuries. During that time, the community ran a brewery in the abbey for trade as well as for own consumption. The community was dissolved after the French Revolution in 1794. (Lutgarde, 2020)

Saint Lutgarde (1182 – 1246) was the patron saint of Flanders. She lived in the abbey for over 40 years and is famous for having accomplished various miracles. During her stay at the abbey of Aywiers, she decided to start dieting for seven years. After achieving the diet successfully, she decided to renew the experience twice. Saint Lutgarde acquired the reputation of being relatively austere as she fed herself exclusively on bread and beer during these diets. Also, Saint Lutgarde left Flanders to join the abbey of Aywiers where French was the only spoken language. The sister refused to learn French and therefore made the vow of silence, showing again austerity. (Lutgarde, 2020)

The founders of Lutgarde played with latter story by using Saint Lutgarde (with a finger in front of her mouth) as a logo, as can be seen on figure 2.1. The logo refers to her silence vow and to the fact that beer was brewed at the abbey centuries ago. (Lutgarde, 2020)

Figure 2.1

Saint Lutgarde, imagined and designed by the Limauge brothers. (Lutgarde, 2020)

The company Lutgarde was founded in May 2017 by two brothers, Victor and Augustin Limauge. Both are passionate about the history of the Abbey of Aywiers where they grew up. Needless to say, Lutgarde is referred to as being the beer of the abbey and pays tribute to Saint Lutgarde. Moreover, both founders are driven by their passion for craft beer. The Limauge brothers aim for Lutgarde to be recognised as an ethical and green Belgian company that follows a sustainable growth.

[1] For more information about the abbey, please visit http://www.aywiers.be/

Aside from having most raw materials, packaging elements and accessories originating from Belgium, the company has ambitions of keeping their carbon footprint low. Nevertheless, no calculations have yet been made regarding the maximum CO_2 emissions per bottle the company would like to target.

Lutgarde is getting increasingly known in Belgium and has encountered a positive financial growth – numbers are given in the following sections – as well as a great success. So far, the company is focused on selling one type of product: beer. Their three main produced beers are a blonde, a white and an India Pale Ale (IPA) beer. These are illustrated on figure 2.2.

Figure 2.2

Lutgarde's produced beers. (Lutgarde, 2020)

On top of that, exclusive beers are released every quarter. This initiative started in December 2019, with the production of the Lutgarde Speculoos. The latter beer was launched in a partnership with Generous, a company that produces gluten-free biscuits, with the aim of fighting against food waste. Kilos of broken Speculoos – Belgian biscuits – were recycled for the production of the beer. The aim of these exclusive beers is to enhance the notoriety of the brand by offering a larger panel of beers. The exclusive beers are brewed in small batches – enough to produce 500 bottles of 75cl each – and are all brewed with the aim of using Belgian products only. In March 2020, the second exclusive beer of Lutgarde was brewed: a barrel-aged beer. However, due to the worldwide pandemic caused by Covid-19, the release of this exclusive beer was delayed. The third exclusive beer will be produced with honey that is produced in the Abbey of Aywiers and is planned to be brewed by the end of the 2020 summer.

Regarding the number of employees, the Limauge brothers were the sole two workers on the project for more than a year. In September 2018, they decided to hire a first sales representative, turning the project into a real company.

A second sales representative was hired in January 2019 and a third one in August 2019. In April 2020, two additional employees were hired. These are in charge of the opening of Lutgarde's bar. As a result, three full-time employees are working as salesmen for the company and two are responsible for the opening of the Lutgarde bar, alongside both founders.

2.1.2. Mission and Vision statements

Lutgarde's **mission** is "To redevelop the old Abbey's beer with a young and dynamic impetus". In other words, the core mission of the company is to offer modern Abbey beers which blend both the traditional aspect of the Belgian beer culture together with new savours. All the latter being adapted to the 21st century customers' tastes, needs and wants. (Lutgarde, 2020)

The **vision** of the company is "To create a sustainable brewery that brings back to life the history of the Abbey of Aywiers". (Lutgarde, 2020)

2.1.3. Funding

The Limauge brothers did not need external funding when they decided to launch their company in 2017 as they were not planning on having many expenses. Indeed, they decided not to buy any brewing equipment and to have their beers brewed by another company. The only expenses they had in the first few months were notary costs, the creation of their logo and the making of their first brew, which they all financed themselves.

Their first brew of 30 hectolitres was the "Lutgarde Blonde", a beer produced with dry hopping, which gives a pronounced taste of hops. The batch was successful and was entirely sold during an event called "Les Jardins d'Aywiers". The latter is a well-known plant and garden festival organised by the Limauge family and takes place twice a year at the Abbey of Aywiers. The abbey is located in the Belgian province of Walloon Brabant. Thanks to this success, the founders were able to get enough liquidity to invest in beer pumps.

Regarding office and storage costs, Lutgarde's founders are able to work and store their inventory at the abbey, resulting in no costs. In view of the company's production and sales forecasts, the founders borrowed money from banks in 2018 to acquire cars, storage equipment, as well as kegs. As mentioned in part one, banks are becoming less reluctant to provide newcomers with capital in view of the great success rate of microbreweries. This latter example reflects well the willingness of banks to enable micro-breweries to borrow capital.

2.1.4. Financial position

The increase in the company's sales over the years testifies that Lutgarde is getting support from various craft beer consumers. In fact, the turnover of the company was of 32.330 euros in 2017, 171.906 euros in 2018 and 363.381 euros in 2019 as can be seen on table 2-1 and figure 2.3. The company initially forecasted to double its turnover in 2020, however due to the worldwide pandemic, Lutgarde adapted its projection and is now forecasting a turnover of 552.268. The forecast remains rather optimistic as 46% of Lutgarde's production is sold in the retail sector. Despite a general decline in beer consumption due to the pandemic and after a sales drop in March and April 2020, Lutgarde's sales seem to have stabilized in May 2020. Moreover, the craft beer company is still counting on encouraging export projections and on an increase in sales as of June 2020. Forecasts for 2021 and 2022 are quite promising, with 1.406.048 euros in 2022 and 2.752.096 euros in 2021. (Limauge & Limauge, 2020a) The latter numbers reflect both sales in Belgium and exports to France and Luxembourg, the two countries Lutgarde is exporting to so far. Around 4% of the total production was exported in 2019, as can be seen on figure 2.6.

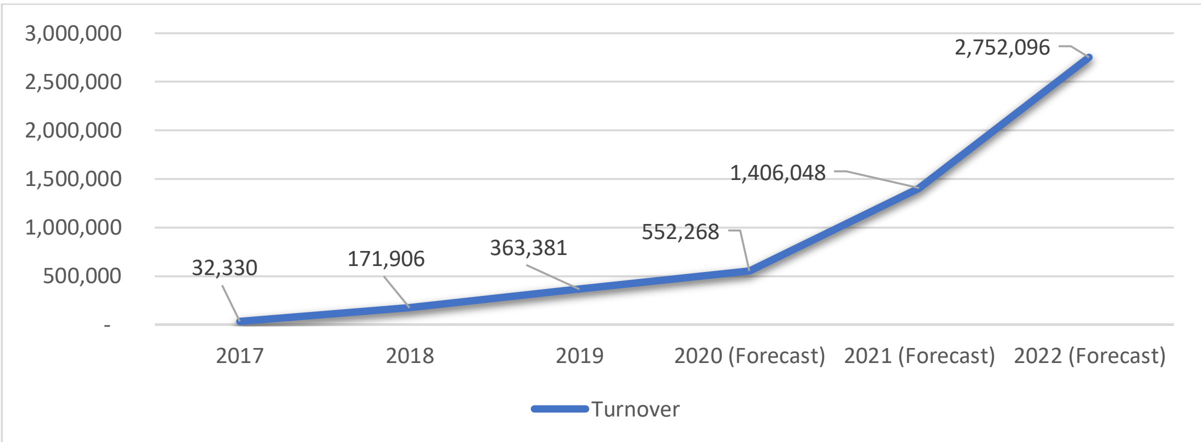
Table 2-1

Lutgarde's Turnover 2017 – 2019, EBITDA and Net Profit 2019 and forecasts 2020 – 2022. (Limauge & Limauge, 2020a)

	2017	2018	2019	2020	2021	2022
Turnover	32.330	171.906	363.381	552.268	1.406.048	2.752.096
EBITDA	(14.747)		12.864	150.551	406.023	871.673
Net Profit	(15.826)		(315)	97.450	288.890	636.274

Figure 2.3

Lutgarde's Turnover 2017 – 2019 and forecasts 2020 – 2022. (Limauge & Limauge, 2020a)

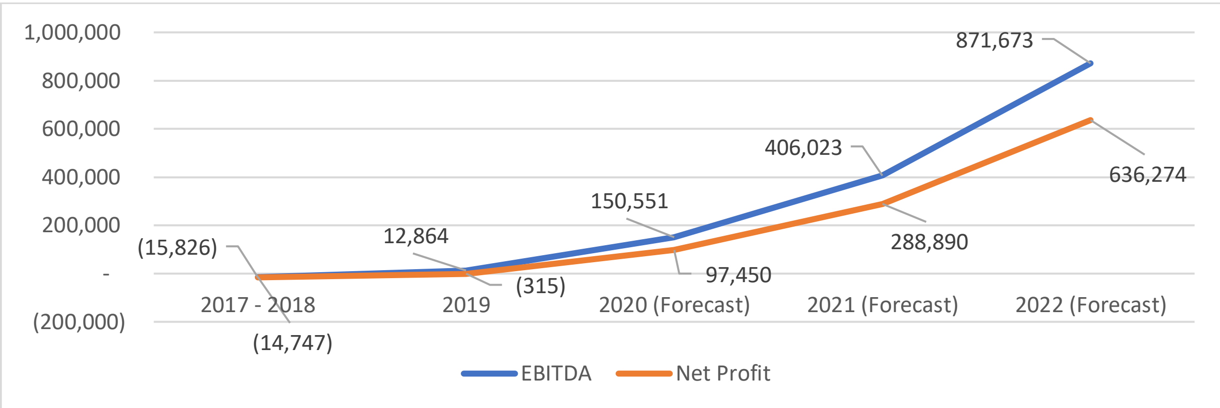


It is interesting to notice that after two years of existence the EBITDA of Lutgarde is positive (12.864 euros), as can be seen on figure 2.4. Forecasts are of 150.551 euros for 2020, 406.023 euros for 2021 and 871.673 euros for 2022. Concerning net profit, while Lutgarde was not yet profitable in 2019, the company forecasts to make 97.449 euros of profit in 2020 despite the pandemic caused by Covid-19. Further forecasts were made for 2021 and 2022 with projections of 288.889 euros and 636.273 euros respectively. Forecasts were calculated knowing that no further staff members would be hired. The EBITDA and profit of 2017 and 2018 are merged as these account for one fiscal year. (Limauge & Limauge, 2020a)

Forecasts for 2020 and upcoming years are positive despite the worldwide sanitary crisis as sales projections for the summer remain optimistic and as exports are expected to double throughout the year. Moreover, few investments have been made by the company, wherefore cash outflows are minor resulting in rapid profit making. On top of that, Lutgarde has changed third-party brewery in 2020, allowing higher margins as is developed below.

Figure 2.4

Lutgarde's EBITDA and net profit 2017 – 2019 and forecasts 2020 – 2022. (Limauge & Limauge, 2020a)

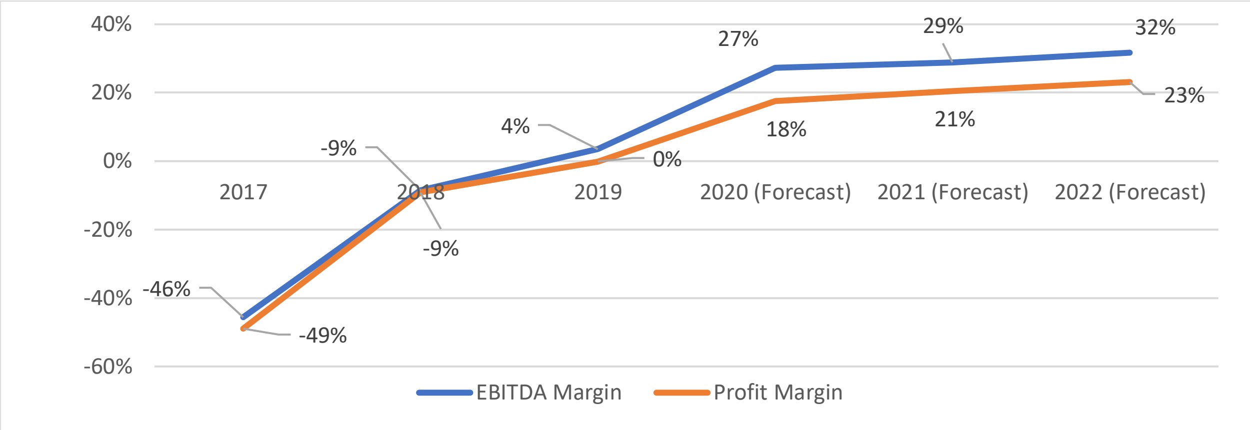


As can be seen on figure 2.5, in 2017 and 2018 both the EBITDA and profit margin were negative. In 2019, the EBITDA and profit margin were respectively low and negative. This is mainly due to the fact that Lutgarde outsourced its production at Bertinchamps in 2019. In 2020, the company changed third-party brewery and is now brewing at Anders[2], allowing Lutgarde to benefit from higher sales margins. Indeed, the craft brewery is now taking a sales margin of 51,10% at Anders. The latter margin is almost the double of what Lutgarde used to take at Bertinchamps, allowing higher profit-making. (Limauge & Limauge, 2020a)

[2] Anders is a well-known brewery that has as business model to brew for other establishments exclusively. For more information about Anders, please visit https://www.brouwerijanders.be/en/

Figure 2.5

Lutgarde's financial ratios (EBITDA and Profit Margin) 2017 – 2019 and forecasts 2020 – 2022. (V. Limauge & A. Limauge, personal communication, 17 March 2020)



Further details about the profit and loss of Lutgarde are to be found in appendix 1.

2.1.5. Production

When they first decided to launch their beers, the Limauge brothers had in mind to open a brewery, until they realised the important brewing capacity that Belgium hosts. Indeed, there are plenty of breweries that have excess capacity and that have the availability to brew for other establishments, allowing the latter to postpone or avoid such an investment. Therefore, Lutgarde's founders decided to outsource their production during the first years of Lutgarde in order to reduce risks linked to large investments. In 2017, they undertook a market to analyse intermediary breweries and decided to have their beers brewed at Bertinchamps[3]. The latter brewery was launched in 2013 by the Humblet family and has a great brewing capacity. The choice for Bertinchamps as a partner was mainly driven by the personal acquaintanceship with the founders of the brewery. Other breweries have adopted a similar strategy. For example, the Curtius Brewery has its beer produced by the Trois Fourquets brewery (the brewery that brews the Lupulus beer). (Lauwers, 2017)

In February 2020, the Limauge brothers decided to change their intermediary brewery and established a contract with Anders. The shift from Bertinchamps to Anders was made for several reasons. The main one being the lower production price, allowing Lutgarde to take a sales margin of 51,10%. Also, Anders offers the possibility to sell beers in crates. Finally, Lutgarde feared that Bertinchamps would turn their back on the production of Lutgarde beers, as the company is one of Bertinchamps' fiercest competitors.

[3] For more information about Bertinchamps, please visit https://www.bertinchamps.be/en/bertinchamps

As can be seen on table 2-2, Lutgarde produced 108 hectolitres in 2017, which is more than the forecasted 100. In 2018, this number had more than tripled, with 370 produced hectolitres, while the forecast was of 400. Lutgarde's founders mentioned being satisfied with their production, as 400 was an optimistic forecast. In 2019, 1.008 hectolitres were brewed, which is just below the 1.200 hectolitres that were forecasted for that year. When compared to previous years, this rise in production shows a clear increase in the demand for Lutgarde beers, making both founders enthusiast for the future of their company. The forecast for 2020 was initially of 3.000 hectolitres. However, due to the worldwide Pandemic, the forecast was adjusted to 1.500 hectolitres. Forecasts are positive for 2021 and 2022, with 4.000 hectolitres expected for 2021 and double as much for 2022 (8.000 hectolitres). Such estimates are rather optimistic, as exports are projected to increase in the upcoming months and reach 15% of the sales by 2022.

Table 2-2

Lutgarde's real production and production forecasts in hectolitres 2017 – 2022. (V. Limauge & A. Limauge, personal communication, 17 March 2020)

Year	2017	2018	2019	2020	2021	2022
Forecast	100	400	1.200	1.500	4.000	8.000
Production	108	370	1.008	-	-	-

2.1.6. Distribution Channels

Lutgarde beers are sold in glass bottles or in kegs to B2B and B2C clients. In 2017, the first retailers that Lutgarde got into were shops close to the Abbey of Aywiers, such as the Proxy Delhaize next door. Various restaurants and bars in the surroundings of the abbey were also approached. At that time, beers were delivered by the founders themselves. In 2018, Lutgarde got on the shelves of new retailers from which various Delhaize retail shops in Wallonia and Brussels. Also, through Made in BW[4], Lutgarde was able to gain access to Carrefour retail shops in the latter regions. Thanks to the first sales representative that was hired in 2018, Lutgarde beers got into beer shops as well as additional restaurants and bars in and around Brussels. Lutgarde beers also got on the shelves of Délitraiteur and White Night shops in 2019.

Lutgarde works with ten distributors across Belgium, from which Varesa. The latter is Lutgarde's main distributor and delivers to Delhaize and Carrefour all over Belgium. Next to Varesa, the company's two main distributors in Wallonia are Choppin and Delsart.

[4] Made in BW is a company that facilitates logistics for products that are produced in Walloon Brabant. The company aims to bring local products forward.

Since 2020, Lutgarde beers are sold in Flanders through Prik&Tik, the largest buying centre of beverage traders in Belgium. Through the latter, Lutgarde is currently selling in over sixty bars and restaurants across Flanders.

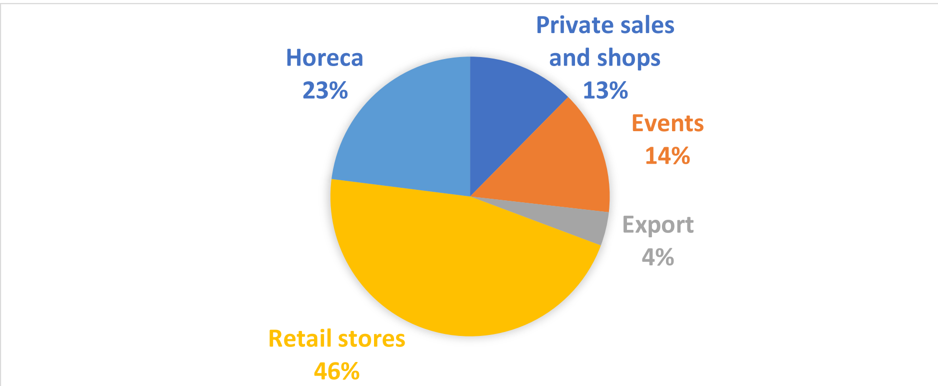
Lutgarde's goal for 2020 is to access Delhaize's and Carrefour-Mestdagh's central purchasing department. The latter controls the entire purchasing process of retailers. As a result, instead of having Lutgarde's sales representatives push to increase sales at different retailers, supermarkets will automatically have beers delivered from the central purchasing department. Getting access to centrals has various benefits, such as ensuring sales stability and presence on shelves through a permanent contract. Lutgarde beers are currently sold in both Delhaize and Carrefour, however the products are not present in the centrals. Nowadays, plenty of craft breweries are aiming to enter centrals of big retailers, wherefore demand and entry barriers are high. However, Lutgarde is not planning on getting on the shelves of Colruyt, the largest retailer in Belgium. When entering Colruyt, a high entry price has to be paid upon arrival. Also, contractual conditions proscribe entering the centrals of other retailers.

Getting on the shelves of Carrefour and Delhaize (the second and third biggest retailers in Belgium after Colruyt) has contributed to the current success and increase in sales of Lutgarde. Indeed, being present in such important retailers has increased the notoriety of the brand. As was previously mentioned, 58% of the sold beers were bought at retailers in 2018 and 56% of abbey beers were bought at retailers instead of Horeca establishments in 2018. These latter elements show a clear opportunity for Lutgarde.

Regarding sales, as can be seen on figure 2.6, 46% of Lutgarde's beers were sold in retail stores in 2019 and 23% of the sales originated from the Horeca industry. Regarding the latter, Lutgarde beers are present in various restaurant and bars, such as the Schievelavabo, the Ginette Bar, la Guingette, La Tartine and other known Horeca institutions in Belgium.

Figure 2.6

Percentage of Lutgarde's sales by segment in 2019 in volume in hectolitres. (V. Limauge & A. Limauge, personal communication, 17 March 2020)



Regarding exports, as mentioned previously, Belgium is currently the number one European exporting country. This shows a clear opportunity for Lutgarde to increase its customer panel with foreigners interested in Belgian craft beer. Lutgarde does not have a diversified international portfolio yet, as their beers are currently only exported to France and Luxemburg. Exports began in Lyon in France in June 2019, thanks the help of an AWEX[5] trainee who worked for Lutgarde. According to Lutgarde's founders, until May 2020, one pallet[6] was delivered every two months to Lyon. Due to the growing success of their beers, exports are forecasted to increase with one pallet – or more – monthly as of May 2020. Generally, total exports are projected to increase in the upcoming months and attain 15% of the sales by 2022.

On top of that, Nantes was targeted for further exports. However, due to the worldwide pandemic caused by Covid-19, the project was put on hold in March 2020. Despite the fierce competition, the French market is one of the most accessible foreign market for a French speaking Belgian brewery. Indeed, France is easily accessible through transports and there are various distributors that work for both countries. On top of that, both markets are similar and there are no language barriers, wherefore Lutgarde's marketing would not have to be adapted. In March 2020, a first pallet was exported to Luxemburg and the hope is that, after Covid-19, Luxembourg would take a permanent place in Lutgarde's panel of importing countries.

2.1.7. Marketing

Regarding marketing, Lutgarde uses Neolocalism for its branding. Neolocalism can be defined as a "conscious effort by businesses to foster a sense of place based on attributes of their community." (Holtkamp et al., 2016) Indeed, the entire branding of the company is based on the history of the Abbey of Aywiers and Saint Lutgarde. For instance, Lutgarde's logo (figure 2.7) represents Saint Lutgarde putting her finger in front of her lips. The logo is rather eye-catching and suggests that Saint Lutgarde is keeping the secret of the recipes of the beers.

Figure 2.7

Lutgarde's logo. (Lutgarde, 2020)

[5] Agence wallonne à l'Exportation et aux Investissements.
[6] One pallet represents 72 cartons of 24 bottles of 33cl.

Regarding social media, Lutgarde is present on Facebook, Instagram and LinkedIn. While stories are posted weekly on Facebook and Instagram, posts are less numerous with around one picture being posted monthly.
Supermarkets in which Lutgarde beers are sold often enjoy homemade wooden shelves with Lutgarde's logo painted on both sides. These shelves are attention-grabbing and increase the visibility of the brand.

Few events have contributed to the notoriety of Lutgarde. One of these is "Les Jardins d'Aywiers", a plant and garden festival that hosts over 10.000 visitors and that takes place twice a year at the Abbey of Aywiers. The latter event has enabled the first batch of Lutgarde beer to be sold and has permitted, through a first contact with consumers, the creation of Lutgarde's community. As a result, Lutgarde got enough liquidity from the sales to produce a second batch of beers.

Another event that increased the notoriety of Lutgarde is the Lutgarde hunt, an event that takes place at the Abbey of Aywiers. The first edition took place in April 2019 during the Easter holidays and knew a frank success. Indeed, over 1.000 young adults, parents with kids, teenagers and groups of friends signed up for the event, which was sold out rapidly. Around 5.000 beers were hidden in the garden of the abbey and participants had to get as many beers as possible in a few minutes. In January 2020, a Facebook event was launched for the 2020 edition and was sold out in one day, with 1.000 enrolled participants. Unfortunately, the event had to be cancelled due to the worldwide pandemic.

Moreover, Lutgarde ensures to be present at public events to increase visibility. For instance, the company participated to Horecatel in March 2020. The latter is a famous showroom that gathers around 400 companies that present their products to around 36.000 trade visitors. (Horecatel, 2020) During the event, Lutgarde's founders met with various potential clients, and ensured to be visibly attractive.

2.1.8. Projects

Since the launch of Lutgarde in 2017, the founders have had various projects in mind and one of them being to open a bar. In December 2019, the Limauge brothers signed for the opening of a bar in Brussels in the neighbourhood of Place Sainte Catherine. Therefore, a loan of €100.000 was contracted to redo the tiles, the sanitary facilities, the ceilings and the kitchen of the bar. No massive investment was needed as the building will be rented and as many constructions are home-made, such as the shelves and the bar for instance.

The aim of opening a bar is to increase the awareness of locals and tourists passing by. For that reason, the founders chose to open their bar on Place Sainte-Catherine in the centre of

Brussels, where hundreds of people walk by every day. Regarding products that will be sold at the bar, the emphasis will be put on Lutgarde beer as well as craft beers from Belgian microbreweries. Two full-time employees were hired for the opening of the bar, which was originally planned for April 2020. However due to Covid-19, the opening is delayed.

2.1.9. Response to Covid-19

Lutgarde is rather new on the market, wherefore sales in Horeca institutions are less extensive than in the retail sector. Indeed, as was seen in figure 2.6, sales in the Horeca industry account for 23%, while 46% originate from the retail sector. Due to the worldwide pandemic caused by Covid-19, the Horeca industry has been on hold since March 2020, wherefore sales in these institutions have completely stopped. Consequently, a quarter of Lutgarde's sales have dropped.

While various breweries have taken measures regarding the sanitary crisis, Lutgarde has taken much time to find an alternative to the drop in sales. Indeed, as the virus arrived in Europe, several breweries took action and developed a back-up plan in case a Belgian lockdown would be announced. For example, breweries as Cantillon, l'Hermitage, En Stoemelings, La source, Brussels Beer Project and Brasserie de la Senne have launched an online platform for home-delivered beer packs. (Dautinger, 2020) Various articles were written about these alternatives, enabling free advertisement.

On the 8th of April, after almost one month of quarantine, Lutgarde launched its own delivery platform on the company's website. The latter will, without a doubt, increase the sales of the company. However, the delivery platform was created and announced on social media rather lately.

2.2. Segmentation, Targeting, Positioning

The following sub-chapter encompasses the segmentation of beer drinkers in order to understand the different types of beer consumers. To do so, four segments are described with their motivations to consume beer. Then, targeting and positioning are established for Lutgarde, as well as for the company's three main competitors to analyse what Lutgarde and its direct competitors do to differentiate themselves.

2.2.1. Segmentation

This section is written based on a market segmentation that was performed for a microbrewery study by seven researchers of Colorado in 2013.

The traditional way of segmenting a market is to define the geographic, demographic, psychographic, behaviour benefit or ethnic segmentation. (Sluysmans, 2019) According to Carpentier et al. (2013), “Craft beer drinkers vary by their affinity for craft beer, by preferred style of beer and by the lifestyle that craft beer drinkers embrace”. Therefore, segmentation in this thesis is done according to differences in preference regarding beer type, quality, knowledge, and other elements. (Carpenter et al., 2013) Consequently, psychographic data was used.

In this sub-section, four segments are identified and studied: the Explorer, the Expert, the Loyalist and the Novice. (Carpenter et al., 2013) Moreover, the main motivations to consume beer are investigated. Finally, the latter motivations are analysed with regards to each segment.

A) Segments

For each segment, four main elements are studied, namely:

- **“What does the segment pay attention to?”**
  Every segment value different elements, wherefore five main components are investigated for each. These are;

    - Quality of Beer: *How important is the quality of beer to the named segments?*
    - Range of Beers: *Is it important for the segments to have a wide variety of beers? Or is having one type of beer enough?*
    - Tradition: *Are beers from traditional breweries, such as AB InBev, valuable to the segments?*
    - Experience: *Is experiencing a moment of quality while drinking beer important?*
    - Brewing Process: *How important is the brewing process and beer to the named segments?*

  All of the above-mentioned elements are ranked from 1 to 5.

  1 being the lowest 
  5 the highest 

- **“What beer types does the segment drink?”**
  As previously mentioned, 6 main types of beer exist, namely Fruit beer (geuze, kriek, fruit), Specialty beer (strong golden ales, regional, pale ale, stout, scotch-x-mas), Thirst Quenching (sour beer, amber, white), Lager (also referred to as Pils in this report), Other Lager (table beer, non-alcoholic, low alcohol, luxury ale) and Abbey Beer (abbey beers, Trappist). (Belgian Brewers, 2018) For each segment, one or several beer type(s) are identified.

- **“Which brands are preferred by the segment?”**
  Some segments have a preference for drinking beers from multinational companies or from craft breweries. This is specified for each segment.

- **“Where does the segment drink?”**
  This element refers to the location each segment prefers to drink their beer at. It can vary from breweries, to bars and restaurants, or at home.

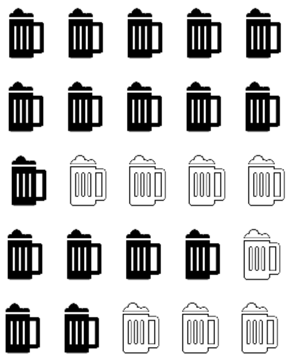
I. The Explorer

The Explorer is considered as being the largest segment of all four. These consumers are motivated to discover craft breweries, try different beer types, flavours and styles. Also, Explorers are the ones who will visit breweries and who find beer quality essential. While experience, such as visiting breweries for example, is important to the Explorer, learning about brewing process and beer science is not significant to the segment. The latter element is the main differentiator between Explorers and the “beer geek” type. Besides, Explorers enjoy themselves when trying new craft beer types, wherefore these are not considered as being loyal to a beer brand or beer style. As a result, traditional beers from multinationals are definitely not the ones that are looked for by this segment. (Carpenter et al., 2013)

All in all, Explorers find craft breweries, the quality and the range of beer of high importance. Moreover, experiencing quality moments while tasting beer is important to the Explorer type, while the brewing process is not essential to them. (Carpenter et al., 2013)

<u>What does the Explorer pay attention to?</u>

- Quality of Beer
- Range of Beers
- Tradition
- Experience
- Brewing Process



What beer types does the Explorer drink?

Explorers will typically avoid drinking traditional beers, such as Pils. Instead, Explorers will drink Fruit beer, Specialty beer, Thirst Quenching and Abbey Beer. (Carpenter et al., 2013)

Which brands are preferred by the Explorer?

Breweries that produce in smaller batches and that elaborate on new beer tastes are the ones that are targeted by the Explorer. Beers from the Big Five are definitely avoided. (Carpenter et al., 2013)

Where does the Explorer drink?

Explorers enjoy consuming beer at bars, taprooms, in bars, at friends' houses etc. (Carpenter et al., 2013)

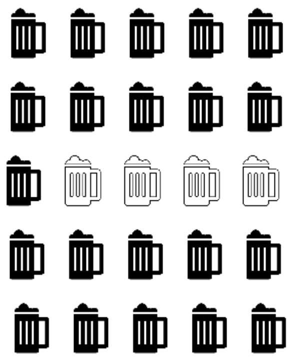
II. The Expert

Also referred to as "beer geek", Experts are passionate about craft beers and are knowledgeable about the brewing process and beer science. Besides being knowledgeable, Experts are willing to educate themselves further about the beer industry. Similarly to Explorers, Experts are keen on trying new beer types, particularly from small batches. Moreover, Experts enjoy involving their loved ones in beer tasting moments. Indeed, the social aspect of sharing their passion and beer knowledge is essential to Experts, wherefore these appreciate to serve as guides for their friends and families when visiting breweries or ordering beers. On top of that, this segment is delighted to participate to the local economy by buying local beers from small companies. (Carpenter et al., 2013)

All in all, Experts find quality & range of beer, experience as well as knowledge about the brewing process of high importance. Besides, Experts flee beers from multinationals. (Carpenter et al., 2013)

What does the Expert pay attention to?

- Quality of Beer
- Range of Beers
- Tradition
- Experience
- Brewing Process



<u>What beer types does the Expert drink?</u>
Experts find motivation in drinking and discovering craft beers mainly. (Carpenter et al., 2013)

<u>Which brands are preferred by the Expert?</u>
Microbreweries are the ones that are targeted by the Expert. (Carpenter et al., 2013)

<u>Where does the Expert drink?</u>
Experts typically enjoy drinking beers at taprooms and microbreweries. Also, this segment will buy beer in beer shops as well as in restaurants and bars that serve craft beers. (Carpenter et al., 2013)

III. The Loyalist

Loyalists are the ones that stay mostly dedicated to a beer brand, wherefore buying from other breweries is not important to them. While Loyalists know what pleases them, they do not put much effort into finding out why. Elements such as location, closeness, accessibility, period / time of the year, packaging, story and local economic situation are part of their decision-making process. Regarding beer types, Loyalists are often loyal to standardized beer such as Pils. Nevertheless, these can be loyal to craft beers if marketing and labelling enhance their curiosity. Generally, it is important to highlight that Loyalists can be loyal to different brands. (Carpenter et al., 2013)

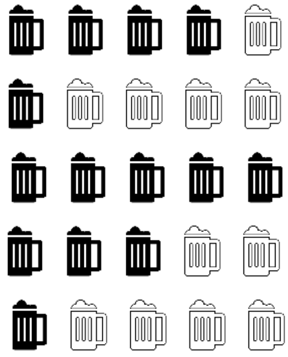
Loyalists can be divided into two groups; the mainstream and the modern ones.

- **Mainstream Loyalists** are the ones that will typically buy from macro breweries, such as the Big Five.
- **Modern Loyalists** have a preference for smaller breweries, such as Lutgarde for example. This segment has little knowledge about beer, yet Modern Loyalists find motivation in buying beer from their favourite craft brewery that they got to know via word-of-mouth, through an event, etc.

All in all, Loyalists find the quality of their preferred beer important, as well as the traditional aspect of it. Experience is also significant to this segment. Having a large range of beers is not essential to Loyalists and neither is the brewing process. (Carpenter et al., 2013)

What does the Loyalist pay attention to?

- Quality of Beer
- Range of Beers
- Tradition
- Experience
- Brewing Process



What beer types does the Loyalist drink?

Loyalists can be loyal to various types of beer. The preferred beer type will vary depending on whether Loyalists drink mainly traditional beers as Lager or whether these drink more modern types of beer, such as Pale Ales, IPA or Stouts.

Which brands are preferred by the Loyalist?

Mainstream Loyalists tend to buy from multinationals, such as the Big Five. Indeed, these will typically buy Leffe beer for all types of occasions for example. Modern Loyalists tend to buy from smaller breweries that offer craft beers that cater to their needs and wants. Typically, Modern Loyalists could buy Lutgarde beer solely to support them.

Where does the Loyalist drink?

Loyalists drink basically anywhere, as long as their preferred beer type is available. The location could therefore range from restaurants and bars to drinking at home.

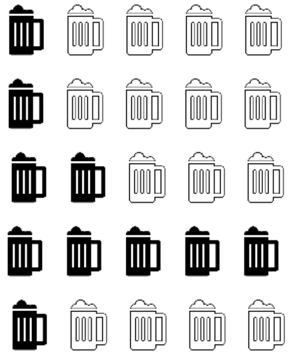
IV. The Novice

The Novice typically enjoys trying new beers from different breweries without being knowledgeable. Indeed, novices do not know which brands are owned by which multinationals and what differences exist between breweries. Nevertheless, Novices enjoy sharing beer with loved ones. (Carpenter et al., 2013)

All in all, Novices do not pay attention to the quality & range of beer nor to the brewing process. Drinking traditional beers from macro breweries is somehow important. Finally, experience ranks high. (Carpenter et al., 2013)

What does Novice the pay attention to?

- Quality of Beer
- Range of Beers
- Tradition
- Experience
- Brewing Process



What beer types does the Novice drink?

Novices are highly influenced by bartenders or by friends when it comes to ordering drinks in bars. Regarding supermarkets, Novices will typically be attracted by beers being positioned at eye-level as well as by promotions and eye-catching beer labels. Indeed, Novices will rarely end up drinking beers that are not well promoted at supermarkets, wherefore the majority of purchased beers originate from breweries that have a certain marketing power. (Carpenter et al., 2013)

Which brands are preferred by the Novice?

Novices do not seek change or specialty, wherefore these this segment will typically drink beer from multinationals rather than from craft breweries. (Carpenter et al., 2013)

Where does the Novice drink?

Novices will typically drink in restaurant and bars with friends or at home. However, taprooms or specialized bars are not targeted by Novices. (Carpenter et al., 2013)

B) Motivations

Regarding motivations to drink beer, six were identified along with Lutgarde's founders. These represent the main reasons why consumers would buy beer and are;

- Social interaction: *Whether the segment drinks beer in order to interact with friends.*
- Support local breweries: *Whether beers are bought with the purpose of supporting local craft breweries.*
- Increase beer knowledge: *Beers are bought with the aim of educating oneself about beer styles and tastes.*
- Enjoy the moment: *Motivation lies in the pleasure of drinking / sharing a beer.*
- Social recognition / pressure: *Beer is drunk to fit into a social group.*
- To accompany food: *Whether beer is ordered in order to accompany lunch / dinner.*

C) Motivations for each Segment

Not all segments have similar motivations. Table 2-3 comprises the different matches between the four established profiles and the motivations to consume beer.

Table 2-3

Match between segments and their motivations to buy beer. Based on Carpenter et al.

	Explorer	Expert	Loyalist	Novice
Social interaction	🍺			🍺
Support local breweries		🍺	🍺	
Increase beer knowledge	🍺	🍺		
Enjoy the moment	🍺		🍺	
Social recognition/pressure				🍺
To accompany food			🍺	

D) Conclusion

To conclude, the four main segments that were identified are the Explorer, the Expert, the Loyalist and the Novice. The Explorer finds motivation in consuming beer while visiting breweries or sharing brewing knowledge with friends and families.

Experts, also referred to as “beer geeks”, are knowledgeable about beer science and brewing processes. Besides, Experts are enthusiastic about new brewing projects and trying out small batches to support local breweries.

Loyalists are these consumers who repeat purchases to support breweries they appreciate. These consumers associate drinking a beer with moments of quality with their loved ones. A distinction is made between Modern and Mainstream Loyalists. The former has a preference for craft beers, while the latter favour beers from Multinationals.

Lastly, Novices will typically consume beer when being with friends and will order based on friends’ orders.

2.2.2. Targeting and Positioning

In this sub-section, Lutgarde's targeting is analysed, as well as the targeting of its three main competitors: Bertinchamps, Léopold 7 and La Cambre.

I. Lutgarde

__Targeting__

Lutgarde targets two of the four segments represented in table 11: Explorers and Loyalists. The Explorer is the main segment targeted by Lutgarde, as it is the largest segment and as these customers are eager to discover new beer types. Besides, Explorers enjoy sharing beer tasting moments with their surroundings. This increases the visibility of the breweries from which Explorers consume. Moreover, Lutgarde aims to attract Modern Loyalists as they increase the notoriety of brands by being true "followers" of breweries. This latter segment is typically attracted by eye-catching packaging, marketing and storytelling. Additionally, Lutgarde aims to increase its presence in the Horeca sector and to increase its portfolio of importing countries.

__Positioning__

Lutgarde positions itself through four main aspects. Firstly, the fact that the company is **family-owned** and managed. Secondly, the company positions itself thanks to the **Abbey of Aywiers**, being the abbey where Saint Lutgarde lived for decades. Thirdly, Lutgarde emphasises on the local aspects of the products and finally, to a lesser extent, the craft brewery positions itself through its **sustainable** aspect.

- **Family-owned company**

The craft brewery Lutgarde was founded by two brothers, Victor and Augustin Limauge. The latter grew up at the Abbey of Aywiers, the same abbey where Saint Lutgarde lived for decades and to whom the beer refers. Craft breweries that are family-owned are attractive to customers who pay attention to the people behind a company. (Kloos, 2018)

- **Abbey of Aywiers**

The second most dominant positioning aspect of Lutgarde is the Abbey of Aywiers: the abbey in which Saint Lutgarde resided for years. The company's entire marketing is imagined with regards to the abbey. Indeed, the label, the slogan, the descriptions of the beers, the stories that are published on social media, etc. all have one thing in common: the historical aspect of the abbey.

- **Locality**

Producing locally and using local products stand at the centre of Lutgarde's brewing and selling process. In fact, all used ingredients to brew originate from Belgium, wherefore Lutgarde beers are 100% made in Belgium. On top of that, bottles, kegs, labels as well as accessories such as t-shirts and caps are all produced in Belgium. Additionally, the exclusive beers that are and will be produced every quarter are aimed to be brewed with local products. Indeed, the first exclusive beer was produced with broken Speculoos cookies and the next one will be produced with honey harvested from the Abbey of Aywiers. Nevertheless, while locality is central to Lutgarde, this aspect of the company is not clearly communicated to the audience.

- **Sustainability**

To a lesser extent, sustainability is considered as being the fourth element of Lutgarde's positioning. Indeed, Lutgarde aims to be as eco-friendly as possible by reducing waste, having recyclable glass bottles, avoiding exports outside of Europe and finally, using local ingredients to brew. In the near future, the goal of the company is to become a completely sustainable brewery. Yet, as for locality, sustainability is not well communicated to the targeted consumers.

II. Bertinchamps

Benoît Humblet, the current brewer of Bertinchamps[7], has always been passionate about beers. After founding and reselling in 2000 the brewery of the Abbey of Val Dieu in Aubel, Benoît Humblet decided it was time to look for a new challenge. Therefore, he spent years searching for a site to renovate and establish a brewery. Benoît Humblet asked his family – his wife and four children – to embark in this new project with him. All accepted, no matter what their profession or occupation were and in 2011, they came across an old farm which they started renovating.

Since March 2013, the Humblet family works at the brewery of Bertinchamps. Brand new machines as well as fermentation tanks were bought and installed, enabling them to have a rather big brewing capacity of 6.000 hectolitres. (Bertinchamps, 2020; Fogli, 2018) Consequently, Bertinchamps is able to brew for other breweries, as it did for Lutgarde from 2017 until February 2020.

[7] For more information about the brewery of Bertinchamps, please visit https://www.bertinchamps.be/en/bertinchamps

Targeting

Bertinchamps targets both the Loyalist and the Explorer. As Lutgarde, the brewery aims to increase sales in the Horeca industry by being present on tap and in bottles in various bars and restaurants in Brussels as well as in Wallonia and Flanders. Bertinchamps also exports its beers to France.

Positioning

According to Anne-Claire Humblet, one of the four children working at the brewery who was interviewed on March 27th 2020, three elements make up for the success of Bertinchamps. These are the **location** of the brewery, the fact that Bertinchamps is a **family-owned brewery**, as well as the **beer format**.

- **Location**

The brewery of Bertinchamps was originally an old farm that was entirely renovated by the Humblet family for the sake of starting a brewery. The latter is located in Gembloux and hosts state-of-the-art brewing equipment with a large brewing capacity of 6.000 hectolitres a year. Such an important investment was allowed by banks, as Benoît Humblet has a history of successful businesses. The latter investment has allowed the family to grow over the years. Indeed, in the first years of Bertinchamps' brewing activity, the brewery was not working at full capacity, wherefore Bertinchamps worked partly as third-party brewery for other breweries, such as Lutgarde. In the near future, the aim is to stop working as an intermediary brewery and brew Bertinchamps beer solely. (Humblet, 2020)

Today, visits are organised at the brewery to discover Bertinchamps' historical site. Such visits attract mainly Explorers throughout the year and provide consumers with a discovery experience. (Humblet, 2020)

- **Family-owned brewery**

Bertinchamps has been marketed as being a family-owned company. In 2011, Benoît Humblet asked his wife and four children to follow him into a new challenge; opening a brewery. All five accepted. Marie-Laure, one of the four children who studied architecture, was in charge of the renovation of the farm. Once renovated, all six family-members learned how to brew and have different responsibilities at the brewery. Such stories enable powerful marketing and typically attract Loyalists. (Humblet, 2020)

- **Beer format**

Unlike most beers that are bottled in standardized-shaped glass bottles of 33 centilitres, Bertinchamps decided to sell their beers in 50 centilitres glass bottles, as can be seen on figure 2.8. Such beer formats did not exist on the Belgian market before, resulting in eye-catching bottles. This decision was taken as the Humblet family believes that beer is destined to be shared. Indeed, since the latter have opened the brewery as a family, they like to think of their beers being enjoyed in group. (Humblet, 2020)

Figure 2.8

Bertinchamps' 50 centiliters glasses. (BeerTourism, 2020)

III. Léopold 7

The Léopold 7[8] microbrewery was established in 2013 in Marsinnes by two associates; Nicolas Declercq et Tanguy van der Eecken. Both brewed their beers themselves at the Marsinnes brewery in which they invested over thousands of euros of high-quality brewing material. Such a large investment enables them to know a current solid growth in terms of turnover. Today, Nicolas Declercq is in charge of the successful brewery by himself. (Declercq, 2020)

In the past, another brewery existed at the exact same location and was owned by a brewer called Léopold, wherefore the current brewery's name begins with Léopold. "7" comes from the ingredients that are used to brew the Léopold 7 Classic; 3 types of grains, 3 different hops and 1 Léopold touch. In 2019, around 3.000 hectolitres were brewed at Marsinnes, showing the great capacity of the brewery. Today, the company is CSR-committed and aims to reduce its carbon footprint with the goal of becoming the first Belgian CO2-neutral microbrewery. (Declercq, 2020)

[8] For more information about the brewery of Léopold 7, please visit https://www.leopold7.com/

Targeting

Following a telephone interview that took place on March 26th with Nicolas Declercq, Léopold 7 is targeting both the Explorer and the Loyalist. Léopold 7 beers are sold in supermarkets either in glass bottles or in cans. According to Nicolas Declercq, there is a clear difference in customer type regarding bottled beers and cans; Loyalists are the ones buying bottled beers while Explorers prefer cans. These are two distinct markets that find pleasure and interest in different beers. Regarding Experts and Novices, Nicolas Declercq has no intention of targeting these in the future, as these do not represent the type of customers Léopold 7 aims to please. (Declercq, 2020)

Positioning

Léopold 7 positions itself mainly through its **CSR-commitment**[9] with the 4P's of sustainability being at the centre of the company's core-business. The company's vision is to be "10 years ahead", wherefore their aim is to reduce the environmental impact and promote equity. According to Nicolas Declercq, being CSR-committed is the main reason for most of its consumers to be Loyalists. Another positioning element of Léopold 7 is its **packaging**, which attracts the Explorer rather than the Loyalist. (Declercq, 2020)

- **CSR-commitment**

Since the Léopold 7 was created in 2013, the brewery has developed itself according to the four founding pillars of the company: People, Planet, Participation and Profit. For People, Léopold 7 aims to have a man / woman parity as well as equal salaries for both for instance. Regarding Planet, the brewery is making various efforts to become the first CO_2-neutral microbrewery with water vapor being drastically diminished and converted into other forms of energy. This in turn reduces the amount of water used for the production of beer for instance. Moreover, every bottle has a carbon footprint of 185 grams, preventing the latter to be exported further away than Paris for bottles, or Southern France for cans. On top of that, Léopold 7 prioritizes working with small Belgian companies, enabling fair Participation. Finally, the company aims to be profitable. (Declercq, 2020)

Nicolas Declercq received the price of being the CSR Professional of 2019, a price he is proud of. He was awarded with this price to honour the company's daily efforts to be as environmentally-friendly and CSR-oriented as possible. (CSR Professional, 2019)

- **Packaging**

According to Nicolas Declercq, aside from its CSR-commitment, the company differentiates itself through its packaging; selling both bottled beers and cans, as can be seen on figure 2.9.

[9] CSR refers to Corporate Social Responsibility

The Léopold 7 Classic is the only beer sold in glass bottles, while four canned and 100% recyclable beers entered the market in 2019: the Spring Session, the Dry Hopped, the Golden Boy, and the Lazy Sunday. According to Nicolas Declercq, bottled beers are the ones that convince Loyalists to buy and stay loyal to the traditional Léopold 7 beer, while Explorers prefer the canned beers. (Declercq, 2020)

Figure 2.9

Léopold 7's range of beers. (Léopold 7, 2020)

IV. Abbaye of La Cambre

Vincent Poswick, a career brewer, started a new challenge in 2014: to launch a range of beers at the heart of Brussels in the Abbey of La Cambre. Although La Cambre[10] beers cannot be recognised as abbey beers, Vincent Poswick has nevertheless obtained the right to use the abbey name for a period of ten years. In return, a small proportion of the turnover of the company is given to the abbey to renovate the old building.

The abbey does not host brewing material as Vincent decided not to invest in such expensive material during the first years of the company's brewing activity. Therefore, the beers of the Abbey of La Cambre are partly brewed at Anders and partly at the brewery Brasserie 3F, both are located in Belgium. In 2019, La Cambre had around 1.000 hectolitres of La Cambre beer brewed by both breweries. Regarding exports, La Cambre beers are to be found in France as well as in Italy. Today, three beers are constantly sold in supermarkets: a blonde, an amber as well as a triple beer. (Poswick, 2020)

[10] For more information about the brewery of the Abbey of La Cambre, please visit https://www.brasseriedelacambre.be/

Lutgarde is without a doubt La Cambre's fiercest competitor. Both represent their beers through nuns; La Cambre with Dame Gisèle, the founder of the Abbey of La Cambre, and Lutgarde with Saint Lutgarde. As a result, the logo of both breweries represent a nun, as can be seen on figure 2.10. On top of that, both breweries position themselves through abbeys. Consequently, Vincent Poswick accuses Lutgarde's founders to have inspired themselves from his brewery, yet he applauds their creativity and success, which he believes being bigger than his own. (Poswick, 2020)

Figure 2.10

Brewery of the Abbey of La Cambre's logo. (Brasserie de l'abbaye de La Cambre, 2020)

<u>Targeting</u>

La Cambre aims to target both Explorers and Modern Loyalists. Following a telephonic interview with Vincent Poswick on the 27th of March 2020, he believes that his younger customers (< 35 years old) are Explorers, while the ones above 35 years are Loyalists. While a majority of La Cambre's consumers are Loyalists, he tries to target as many Explorers as possible as he believes that these spend more money on beers. Regarding Experts and Novices, Vincent Poswick claims not targeting these. (Poswick, 2020)

Regarding sales, the majority of the beers of the Abbaye of La Cambre are sold at supermarkets and few are sold in the Horeca industry. Regarding the latter, Vincent Poswick decided not to target Horeca institutions at the beginning, wherefore La Cambre beer are sold in restaurants and bars since 2019, with less than 10 bars serving La Cambre beer on tap. This shows a clear weakness of the company, as Explorers appreciate trying new beers in restaurants and bars. (Poswick, 2020)

Positioning

To attract Explorers and Loyalists as customers, the brewery of the Abbey of La Cambre has opted for different strategies. Indeed, with years of experience in the fiels, the founder of the brewery of the Abbey de La Cambre understood that Explorers and Loyalists are not looking for identical elements. Therefore, the brewery attracts the former through **marketing** and the development of **seasonal beers**, while the latter is enticed through the abbey's **history** as well as the **financial help** provided by the brewery to renovate the abbey. (Poswick, 2020)

- **Marketing**

The founder of the brewery quickly understood that young generations have little interest in the history of the Abbey of La Cambre and do not care much about the money given by the brewery to renovate the abbey. As a result, in order to attract Explorers, Vincent and his sales representative started rebranding their beers; new etiquettes were designed and new marketing campaigns were launched. (Poswick, 2020)

- **Seasonal beers**

In order to cater to the needs and wants of Explorers, two seasonal beers are brewed annually by the brewery. Generally, one beer is released in the winter while the other one is released around Spring. (Poswick, 2020)

- **History of the Abbey of La Cambre**

According to Vincent Poswick, Modern Loyalists are attracted by abbey beers and history. Therefore, offering products that originate from the Abbey of La Cambre, a well-known abbey in the centre of Brussels, attracts various clients living or spending time in the surroundings of the abbey. The latter was founded in 1201 and was known for hosting brewing Cistercian sisters. The activity of the brewery stopped with the French Revolution. (Poswick, 2020)

- **Financial help for the abbey**

To use the name "Abbaye de La Cambre" for his beer, Vincent Poswick had to agree with a condition: depending on the brewery's turnover, a small percentage of it is given for the renovation of the Abbey of La Cambre. Such element typically attracts Modern Loyalists. Indeed, participation to the preservation of the abbey through consuming local products is a great motivator for consumers. (Poswick, 2020)

V. Conclusion

The following table comprehends the targeting as well as the positioning of Lutgarde's fiercest competitors; namely Bertinchamps, Léopold 7 and the Abbaye of La Cambre. All three competitors target similar consumers to those of Lutgarde: Explorers and Loyalists.

The former are not easy to target, as these are not necessarily loyal to a brand. Therefore being creative is of upmost importance to target Explorers. The latter are charmed by breweries that fight for a cause such as sustainability, represent a region, are family-owned, have a historical background or have strong marketing skills to name a few examples. Lutgarde seems to be successful for the latter listed items.

Regarding positioning, each microbrewery competes on different fields, as can be seen in table 2-4. Furthermore, it was interesting to highlight that all four cited microbreweries export in similar countries and mainly to France. Moreover, Bertinchamps and Léopold 7 own their brewery, while Lutgarde and the Abbaye of La Cambre have their beers brewed at Anders– as well as Brasserie des 3F for the Abbaye of La Cambre.

Table 2-4

Lutgarde, Bertinchamps, Léopold 7 and Abbaye of La Cambre's targeting and positioning elements. Based on Carpenter et al.

<table>
<tr><th>Brewery</th><th>Targeting</th><th>Positioning</th><th>Export</th><th>Own brewery</th></tr>
<tr><td>Lutgarde</td><td rowspan="4">Explorer and Loyalist</td><td>- Family-owned
- Abbey of Aywiers
- Locality
- Sustainability</td><td>✓</td><td></td></tr>
<tr><td>Bertinchamps</td><td>- Location
- Family-owned
- Beer format</td><td>✓</td><td>✓</td></tr>
<tr><td>Léopold 7</td><td>- CSR-commitment
- Packaging</td><td>✓</td><td>✓</td></tr>
<tr><td>Abbaye of La Cambre</td><td>- Marketing
- Seasonal beers
- Abbey's history
- Financial help for the abbey</td><td>✓</td><td></td></tr>
</table>

All in all, while Lutgarde's fiercest competitors are targeting the same consumers, Bertinchamps, Léopold 7 and the brewery of the Abbaye of La Cambre position themselves through different elements. So far, all breweries have been able to see their company grow in a highly competitive environment. As a result, there is currently sufficient room on the market for the aforementioned breweries to continue selling craft beers, until new powerful competitors arrive on the market.

2.3. SWOT analysis

In this sub-chapter, the main strengths and weaknesses of Lutgarde are identified, as well as the opportunities and threats explored in the analysis of the beer market. A summary of the elements of the SWOT analysis is to be found in table 2-5. The aim of the SWOT analysis is to "identify the extent to which strengths and weaknesses are relevant to, or capable of dealing with, the changes taking place in the business environment". (Johnson et al., 2017)

Strenghts

Before brewing its first beer, Lutgarde started with various advantages. In fact, the company holds a solid image with a long history, even though it was launched in 2017. Indeed, Saint Lutgarde and the Abbey of Aywiers stand behind the foundation of the beer. Moreover, being a family-owned company and benefitting from the great space of the Abbey is a clear strength of the company. Furthermore, thanks to the great brewing capacity of Belgium, Lutgarde has little pressure to produce a certain number of hectolitres nor regarding the reimbursement of an investment. On top of that, Lutgarde has the luxury of having no costs regarding marketing, as social media is a tool that can be used freely. Lastly, being present in two of the most prominent Belgian retailers enables great visibility for the brand.

Weaknesses

Some of these strengths set most of the weaknesses of the company off. In fact, Lutgarde not being present in Colruyt does not represent a massive weakness for the company as it is still present in two of the biggest retailers. Also, being sold at Colruyt has various drawbacks; having to be sold at "the lowest price", and not being able to be in Delhaize and Carrefour's centrals. Then, Lutgarde does not have a definite budget for marketing and no employee is working part or full-time on increasing visibility on social media, wherefore this is on element that urgently needs to be looked at.

Opportunities

There are plenty of opportunities on the market; not only does the trend of craft beer increase over the years with a rise in craft beer consumption, Belgium is also the number one exporting country, being a great opportunity for Lutgarde's export plans. Moreover, craft beers are gaining market share in both the Horeca and the retail market. As a result, banks are eager to borrow money for craft breweries to invest in brewing material for example. Furthermore, Lutgarde has made use of intermediary breweries to have their beers brewed instead of directly investing in brewing material. Then, a general trend is observable regarding buying behaviours with a majority of beers being bought at retail shops. This is an opportunity for Lutgarde, as most of the beers are sold at retail shops.

Threats

Finally, some threats might be in disfavour of Lutgarde, such as the fact that the overall share in Belgian beer consumption is declining. On top of that, the competition on the craft beer market is fierce, especially since craft breweries fight for a small market share and since various craft breweries are going bankrupt after a few months of activity. Furthermore, due to the presence of the Big Five on the beer market, exclusivity contracts prevent craft beers from being present in various bars around Belgium. Finally, Covid-19 is undoubtedly the biggest threat of 2020. Indeed, the global pandemic has negatively impacted sales in retail stores, in the Horeca industry and in exports.

Table 2-5

Summary of the SWOT analysis of Lutgarde.

Strengths	- Strong image with the history of the Abbey of Aywiers that has given the company an identity with Saint Lutgarde - Family-owned company - Little expenses thanks to being able to store and work at the abbey for no costs - Outsourcing the production of the beers gives little pressure to both founders to reach a certain level - No massive investment - Use of social media as free tool to communicate with community - Presence in Delhaize and Carrefour
Weaknesses	- Not present in Colruyt, which is the biggest retailer of Belgium - Small budget for e.g. marketing expenses - No community manager/marketer, wherefore posts on social media are too few - Transparency and communication about the company's values, such as locality and sustainability, are too few
Opportunities	- Increase of the craft beer trend in Belgium - Belgium being the number one exporting country for craft beers - "Les Jardins d'Aywiers" gave the company its first customers - Increase in sales of craft beers in Horeca industry and in retail stores - Having access to intermediary breweries, such as Bertinchamps or Anders - Banks willingness to borrow money to craft breweries - In 2018, 58% of consumers bought their beers at retailers and Lutgarde sells 46% of its production at retailers - 56% of abbey beers were sold in retail stores in 2018 and Lutgarde sells 46% of its production at retailers

Threats	- General decline in beer consumption - Fierce competition in the craft beer market - Various craft breweries fight for a small market share, as the Big Five own the great majority of the market shares - Exclusivity contracts, allowing only two craft breweries to be sold in bars under such contracts - Covid-19 is a major threat to all kind of businesses and especially to smaller ones as Lutgarde

2.4. Lutgarde's Successes and Failures

The aim of this sub-chapter is to emphasize on the elements that enable the current success of the company and to point out the mistakes that were done in order to avoid repeating these, based on the SWOT analysis.

2.4.1. What worked?

The founders of Lutgrade have performed well so far. Indeed, their growth in production and their financial results are encouraging. The brewery opened at a time where the craft beer market was still growing, wherefore there was enough room for the company to flourish. Indeed, in 2017, Belgium counted 261 active breweries and one year later, the number increased to 304, from which a vast majority are craft breweries. (Statista, 2020a) Though the consumption of beers has declined in Belgium over the past decades, a general shift from *economisation* to *premiumisation* is noticed. This results in an advantage for craft breweries, as consumers tend to shift from consuming Pils to craft beers, as consumers wish to purchase higher-quality products despite the higher price. All in all, Lutgarde has entered the beer market at an adequate time, as there was still room for companies to grow, and as a general shift in beer consumption is noticed in Belgium, with a clear upgoing trend for craft beer.

Secondly, Lutgarde opted for a particular positioning regarding the type of beers the company wished to produce. On the one hand, Lutgarde beers are abbey beers, which refers to tradition. On the other hand, the branding of the beer is rather modern and provocative with Saint Lutgarde keeping the secret of the Lutgarde beers. As a result, various beer lovers were in favour of the branding of the company, which brings modernity into the traditional abbey beers. In fact, it is rather eye-catching to have a young and dynamic team selling modernized abbey beers that originate from an abbey that was created over 800 years ago.

Thirdly, Loyalists and Explorers are the customer type that Lutgarde aims to attract. The former, once acquired, is profitable to companies as they play the role of advertiser to their surrounding and as these will repeat their purchase. The latter is not loyal to a brand, instead Explorers are these customers that are continuously looking for new beer types and brands. Subsequently, these promote the brands they believe are of high quality. Targeting these two segments enable profit maximization, customer retention as well as the creation of a community.

Finally, Lutgarde was able to enter different retailers in Belgium in a rather aggressive way. By hiring three sales representatives in a short time span, Lutgarde's beer were quickly sold across Belgium, as well as in the second and third biggest retailers of the country, enabling visibility for the company.

Nevertheless, while Lutgarde is performing well so far, there are some elements that could be or could have been improved.

2.4.2. What could have been improved?

To begin with, though the branding of the company is considered as being strong, the company is not using social media properly. In fact, posts on Instagram and Facebook are rather rare – a picture is uploaded once every month and stories are posted weekly. However, since the use of social media is free and the impact can result in an increase in notoriety and community, not using these platforms to their fullest extent is a clear point of improvement.

Secondly, the positioning of the company – the fact that Lutgarde is a family-owned company located in the Abbey of Aywiers and that it uses local products with the aim of being 100% sustainable – is not clearly communicated to the targeted audience. As a result, due to a lack of communication, Lutgarde could be seen as a craft brewery that does not differentiate itself from its competitors. For instance, notifying Lutgarde's consumer that products that are used to brew and to bottle beers are all local could have had a positive impact on sales, as the trend of consuming locally is clearly increasing in Belgium. (Belin, 2019; De Belder, 2019) On top of that, the goal of becoming a 100% sustainable company in the near future is not communicated. Moreover, the exclusive beers that are produced every quarter are not well advertised and are not sold on the website of the company nor in supermarkets, wherefore buying exclusive beers is complicated for consumers. As a result, there is no real utility in producing exclusive beers as these are not value adding to the company. Furthermore, the Abbey of Aywiers could be better exploited to strengthen the image of the brand, as the abbey is central to the history of the beer. Events as the Lutgarde Hunt are essential for the notoriety and the reputation of the brand, as such events allow community members to interact with the founders and to understand their vision.

However, since the creation of Lutgarde, only one event took place where both the community and Lutgarde's founders could meet together.

Thirdly, even if the positioning of the company had been better advertised, Lutgarde could be bigger if it had adopted a more aggressive strategy. In fact, Lutgarde is somewhat similar to its competitors, wherefore a more hostile strategy would have enabled a further differentiation from these. As an example, Brussels Beer Project – the company is analysed in the following sub-section – adopted co-creation as a strategy to differentiate itself from other breweries. Indeed, all beers that are brewed by the company are a result of a co-creation, either with another brewery, consumers, artists or even crowd funders. Consequently, co-creating their beers has enabled an increase in advertisement for the company, as the co-creators of each beers communicate about the beer and the company. Co-creation is an example among various others which allows breweries to unleash their full potential to differentiate themselves from other breweries.

Finally, finding alternatives regarding what happens on the market is something that could be improved by Lutgarde. As previously mentioned, due to the worldwide pandemic caused by Covid-19, all Horeca institutions had to close their doors, resulting in a drastic decline in sales for Lutgarde whose Horeca sales accounted for 23% of the company's revenue. Nevertheless, while other craft breweries launched beer delivery packs, no rapid actions were taken by Lutgarde to counter this harsh decline. While beer delivery packages were launched by the company, the latter took place almost a month after other breweries, wherefore their initiative was little rewarding.

3. Lutgarde's Recipe to Success

In this chapter, in order to provide an answer to the research question, a framework for success in the beer industry is built. Therefore, two breweries are analysed to highlight respectively failure and success ingredients: Brabance and Brussels Beer Project. The life cycle stage of both companies is identified. The former company has rapidly stopped its activities at the Development phase of the life cycle. The latter company is at the Growth stage of the life cycle, following a successful path and gaining market shares.

Then, the identified ingredients are used to complete a literature-based structure to obtain a final framework. The latter is applied on Lutgarde to ascertain if the craft brewery maintains a sustainable growth in the beer industry. Lutgarde is currently at the Development phase, wherefore it can still learn from the above-mentioned companies' successes and failures.

3.1. Similar Companies' Success or Failure

The aim of this section is to identify reasons for success and failure in the craft beer sector. Firstly a general explanation of the life-cycle analysis is given. Then, a case analysis is performed on two microbreweries: Brabance and Brussels Beer Project. The former company is chosen as an example of a brewery that failed to mature and the latter company represents micro-breweries that maintain sustainable growth. After the description of both companies, their life cycle stage is studied. The purpose of analysing these two companies is to find elements relative to the success and failure of craft beer companies. These latter elements are used in the following sub-section to define the recipe for a craft beer company to maintain sustainable growth in this competitive industry.

3.1.1. Life cycle analysis

According to Johnson et al. (2017), "a life cycle analysis assesses whether a strategy is likely to be appropriate given the stage of the life cycle". So, the stage of the life cycle is identified according to the competitive positions of companies, which range from weak to strong. (Johnson et al., 2017) There are five life cycle stages for a company, these are Development / Start-up, Growth, Shake-out, Mature and Decline.

During the first phase of the life cycle – *Development / Start-up* – the studied company's product is unfamiliar to the market, wherefore demand is rather limited and sales are low. Companies at that stage need to take urgent steps to increase notoriety and attract customers.

Then, during the second phase – *Growth* – companies are gaining market share, which increase sales and profitability. Consequently, positive cash flows are generated, and demand escalates, while price decreases.

The third phase of the life cycle – *Shakeout* – leads to the consolidation of companies. Indeed, some companies are eradicated as these are unable to keep up with the growing pace of the industry, wherefore their cash flow becomes negative. Moreover, mergers and acquisitions take place with the purpose of increasing the market shares of the concerned companies. Consequently, revenue, cash flows as well as profit are gaining momentum.

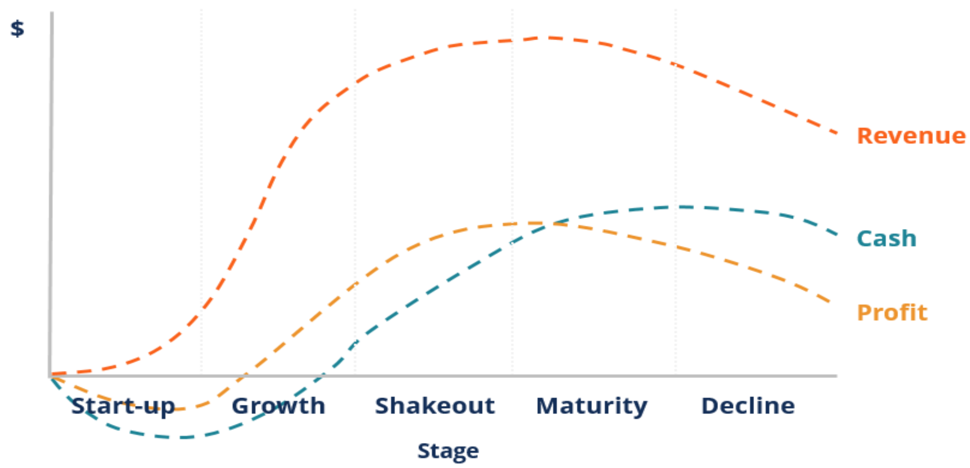
Then comes the fourth phase – *Maturity* – during which companies adopt strategies to maintain their profitability as well as to prevent new competitors from entering the industry. At this phase, maximum revenue, profit and cash flows are obtained. Also, products are popular on the market, resulting in lower prices when compared to new entrants' products prices.

Finally, during the ultimate stage of the life cycle – *Decline* – companies see their revenue, profit and cash flow collapse. To deal with such decline, companies may decide to focus on profit-generating products, acquire competitors or smaller profit-making companies and / or divest. (CFI, 2020; Johnson et al., 2017)

These five stages are represented on figure 3.1. Moreover, a life cycle / portfolio matrix is to be found in appendix 2. The latter comprehends two dimensions: the aforementioned five stages of a company's life cycle as well as the competitive position of a company, ranging from weak to strong. (Johnson et al., 2017)

Figure 3.1

Companies' Life Cycle. (CFI, 2020)



3.1.2. Brabance

After a brief description of Brabance, the company's life cycle is analysed followed by the elements that have led to the failure of this company. All of the information concerning Brabance was collected during an interview with Sébastien Van Malderen that took place on the 8th of April 2020.

I. Description of the company

Brabance is a craft brewery that was created in December 2017 by Sébastien Van Malderen and supported by three associates. All three owned 5% or 10% of the shares of the company, while Sébastien owned 25%. Besides holding shares, the three associates did not spend time working on the project, wherefore Sébastien was the only one working on the project. The remaining shares were owned by Sébastien's father.

Brabance released its first ever brewed beer by the end of December 2017: the "Brabance beer", which can be seen on figure 3.2. The latter was brewed at Beerstorming[11], a brewery located at the centre of Brussels that welcomes small groups of beer lovers that wish to brew their own beer. Beerstorming does not brew a quantity superior to 150 litres per group, wherefore it differs from Anders, a third-party brewery that brews hundreds of hectolitres for example.

Figure 3.2

Brabance's beers; Brabance (left) and Brüsseloise (right). (Brabance, 2020)

[11] For more information about Beerstorming, please visit http://www.beerstorming.net/home

Early 2018, Sébastien selected the brewery of Valduc[12] to brew Brabance beer in larger volumes. Therefore, he had Valduc brew 20 hectolitres (which accounts for 6.000 bottles) of Brabance based on Beerstorming's recipe. The result of the brew was far from expected, as the taste of the beer diverged from Beerstorming's batch. The reason for such difference is that the recipe was not modified, while a recipe of 150 litres has to be adapted for brews of 20 hectolitres. Though the taste of the beer was not as good as wished, Brabance beers were sold as the company needed liquidity. Consequently, while selling beers to Horeca institutions or for events, Sébastien did not believe in his own product.

A couple of weeks later came the decision to brew a second batch of 20 hectolitres of Brabance at Valduc. Therefore, Brabance's recipe was adapted and results were satisfying. Yet, another problem arose with the production: one quarter of the beer labels were torn off, preventing the sale of 1.500 bottles. The latter issue resulted in a lawsuit where Sébastien accused Valduc of invoicing Brabance an entire batch, while one quarter of it was not in accordance to their contract. At the end of the lawsuit, the costs related to the damaged production were divided between Valduc and Brabance, generating additional costs for the young brewery. Consequently, Brabance decided not to work with Valduc anymore and looked for a third brewery in less than a year.

In October 2018, Brabance started a collaboration with German Kraft Beer[13], a German brewery based in London. Together, they launched "Brüsseloise" (the beer is illustrated on figure 3.2), a wheat beer that was brewed at The Brew Society[14], a Belgian brewery located in Courtrai. 50 hectolitres of Brüsseloise were produced and the production was equally divided between Brabance and German Kraft Beer. To sell these beers, Brabance organized a pop-up store at Flagey in Brussels. The idea was to have a pop-up store open every day during one month from 12pm to 12am, where Brabance beers as well as three other craft beers were sold. In order to increase the notoriety of the pop-up store, Sébastien signed a contract at Tribe Agency[15], a public relations agency specialised in food and beverages. Signing a contract at such agencies comes at a cost: €1.500 per month VAT excluded for a minimum duration of six months. Thanks to the contract, various articles were written in magazines about Brabance's pop-up store. The latter enabled the sale of over 40% of the beers. The remaining beers were sold at events as well as at a beer festival: the "Beer Markt Brusseloise", which hosted most breweries located in Brussels and took place at Kanal Centre Pompidou. The latter event was organised by Markt, a catering agency during the month of May 2019.

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[12] For more information about Beerstorming, please visit http://brasserievalduc.be/
[13] For more information about German Kraft Beer, please visit https://www.germankraftbeer.com/
[14] For more information about The Brew Society, please visit https://www.thebrewsociety.be/
[15] For more information Tribe Agency, please visit https://www.tribeagency.be/

Brabance gave its last sign of life during this event. The company still exists, however, for the time being, no brewing projects are planned. Sébastien mentioned believing in his project and is planning on working on it after the worldwide sanitary crisis. (Van Malderen, 2020)

II. Life cycle

Brabance's current competitive position in the beer industry is relatively weak, as the company's presence is almost inexistent today. When weak competitors enter markets, these need to transform their position rapidly or find a protected niche to grow. (Johnson et al., 2017)

Since its creation, Brabance has not developed much. Consequently, the company is stuck at the Start-up / Development stage after over two years of existence. Today, Brabance's beers production has stopped.

III. Reasons for failure / success

Several elements that led to the current failure of Brabance were mentioned during the interview with Sébastien Van Malderen, the founder of Brabance.

No established business plan

Brabance was launched in 2017, while the founders of the company had little idea of what the company would become after its first batch of brewed beer. Indeed, after the release of the beer Brabance, Sébastien decided to grasp every opportunity to sell his beer, without having a concrete business plan. The company did not have a definite purpose; no mission, vision, statement of corporate values nor objectives. (Johnson et al., 2017) Consequently, due to a lack of purpose of the company, there was little motivation to continue producing and selling.

Little comprehension of the market and of beer consumers

While launching the first Brabance beer, Sébastien did not know which customers to target nor which Horeca institutions and retailers to approach as no previous studies had been undertaken beforehand. Also, while looking for third-party brewery, Sébastien had little knowledge about which brewery to choose from for a reasonable amount of money. Consequently, in less than a year, Sébastien had Brabance beer brewed at three different institutions, with no long-term contract. This element prevented Sébastien from having a good reputation from other breweries.

No brewing knowledge

When launching Brabance, none of the founders had brewing knowledge. As a result, communication with breweries was unfruitful, and mistakes happened. For instance, the first brew at Valduc was poor quality wise as Brabance's recipe had not been adapted for a larger batch, wherefore fermentation changed the taste of the beer. Consequently, Sébastien ended up with 20 hectolitres of bad tasting beer that cost him around €10.000.

No team cohesion

Rapidly after the launch of Brabance, Sébastien was working by himself. Consequently, he started looking for selling points and third-party breweries without knowledge nor experience in the field. According to Sébastien Van Malderen, having a solid team is crucial for the success of a young craft brewery.

Cash flow problems

Another element that prevented Brabance from performing well is cash flow. Indeed, sales remained rather low since the company's creation, wherefore Brabance's cash flow stayed negative during its two years of activity. Therefore, finding ways to get liquidities as of the beginning of a company's life – as of the Start-up / Development phase of the life cycle – is crucial to survive.

Overspending

During the two years of activity of the company, several unnecessary spending took place and increased the cash flow problems of the company. For example, Sébastien signed an onerous contract with Tribe Agency for which he spent €1.500 a month for a six months period, as he strongly believed that it would increase the notoriety of the brand and, as a result, increase sales drastically. However, since the company had liquidity problems and since it was still at the Development / Start-up phase, signing such contract increased the cash flow burden of Brabance. Today, with social media, young craft breweries can easily attract their audience's attention through free posts on platforms as Facebook or Instagram.

IV. Conclusion

After over two years of activity, Brabance's competitive position is considered as Weak, while its current life cycle stage is Development / Start-up. Since May 2019, Brabance has stopped its activities, they were unprofitable and unsuccessful.

As a result, Brabance failed to maintain sustainable growth. The company's failure is due to several elements and mainly to the lack of preparation before launching the company. In fact, no business plan was established, no market nor consumer research were conducted as well as no brewing skills nor knowledge were acquired before brewing the first batch of Brabance.

Moreover, the team that launched Brabance did not work together, wherefore Sébastien ended up being the only one working for the company. Finally, due to overspendings and increasing debts, the cash flow burden of the company augmented.

3.1.3. Brussels Beer Project

All of the below mentioned information about Brussels Beer Project come from personal knowledge, as I worked as an intern at the company for six months from November 2017 to May 2018. Moreover, Ophélie De Lovinfosse, the current sales representative of the company, was interviewed for further elements.

I. Description of the company

Brussels Beer Project is a craft brewery that was created in 2013 by Olivier de Brauwere and Sébastien Morvan, two young entrepreneurs who sacrificed their job positions at leading FMCG and consultancy companies to launch their company. For the creation of their brewery, both founders followed brewing classes and had their first four recipes brewed themselves. To increase notoriety and create their own community, Olivier and Sébastien launched a "Prototype Event" where their friends and family gathered to elect their preferred beer out of the four brewed ones: the "Alpha", "Beta", "Gamma" and "Delta". The "Delta", an IPA beer, got elected and was the first ever beer brewed and sold by Brussels Beer Project. Today, the Delta IPA is the most famous beer of the company and is brewed in large quantities. Since then, prototype events take place yearly. This reflects how Brussels Beer Project values its community, an element that has contributed to the growth of the company.

To increase its community and to get liquidity without the help of banks, Brussels Beer Project's founders launched a crowdfunding campaign in 2013. 370 people participated and get 12 beers each year for life for a participation price of €140. In view of the success of the first campaign, one crowdfunding campaign was launched every year since then, with a higher participation rate and price every year – from 370 participants in 2013 to 700 in 2017 and around 900 in 2019 for €180. (De Lovinfosse, 2020b)

To minimize their investment in the first months of existence of the company, the founders of Brussels Beer Project had all of their beers brewed at Anders. Later, as sales were growing rapidly and through the financial help of the crowdfunding campaigns, the founders invested in second-hand brewing material. The latter has a production capacity of 2.000 bottles a day and 2.000 hectolitres a year.

The company’s range of beers is as follows; through the “Prototype events”, one beer out of four or five is elected by the community of the company yearly. As a result, the elected beer, alongside the previously elected ones – these are called the “All Star beers” – are brewed in large quantities and are sold at Belgium’s biggest retailers; Colruyt, Delhaize and Carrefour. The 2020 “All Star beers” are produced at Anders exclusively, enabling economies of scale for Brussels Beer Project (these be seen on figure 3.3).

Figure 3.3

Brussels Beer Project’s “All Star beers”. (Brussels Beer Project, 2020)

On top of having the All Star beers sold permanently, one exclusive beer is released monthly by the company. These are produced in small batches of 150 hectolitres at the company’s brewery, which is located at Dansaert, the “headquarters” of Brussels Beer Project. The exclusive beers have the specificity of being co-created with the company’s community or with another brewery, an artist or even a customer that has won a contest for example. As a result, twelve exclusive beers are brewed yearly, additionally to the “All Star beers”. These exclusive beers are sold at the taproom of the company, in beer shops, as well as in some bars and restaurants.

Brussels Beer Project’s core business is to create beers and not to brew beers. Indeed, the aim of the company is to create uncommon and never-seen-before beers. Their slogans “Leave the abbey, join the playground!”, “We are proud to be born in 2013 and not in 1494” and “Good-bye Middle Ages, hello 21st century”, reflects this well. The founders are proud to present new recipes, new brewing techniques and to cross boundaries with their co-creation approach. On top of that, sustainability stands at the centre of their values. For that matter, Brussels Beer Project has changed various beer recipes and has even adapted one of their “All-Star”, the Babylone, to have it brewed with unsold bread that was supposed to be thrown away.

Regarding targeting, at first, the company was targeting the Explorer and the Loyalist solely. Today, Brussels Beer Project targets a third type of customer: the Expert. Beer geeks are attracted to monthly co-created exclusive beers. In fact, most of these are never-seen-before beers with innovative tastes. For example, beers were brewed with oyster shelves, Nicaraguan cigar leaves, or even Pastéis de Nata. Such flavours attract curious Explorers as well as Experts who wish to discover new tastes and brewing techniques.

At Brussels Beer Project, innovation and co-creation went hand in hand with growth. Not only did the community of Brussels Beer Project grow widely, their financial results were rapidly impressive. The EBITDA of the company turned positive after two years and the company became profitable after the third year of activity. Consequently, the company was able to open a bar in Tokyo and two in Paris, increasing its presence and notoriety abroad. Regarding future projects, Brussels Beer Project will open its second brewery in 2021 with a capacity of 35.000 hectolitres. The aim with this brewery is for the company to produce its entire production and not via Anders anymore.

II. Life cycle

Since 2013, Brussels Beer Project has grown in various ways. Their current competitive position is relatively strong in the beer industry. However, since the Big Five own an important part of the market share (86% in 2019), competition for the remaining market shares is fierce. Therefore, the competitive position of Brussels Beer Project is considered as Middling.

In order to gain market shares, Middling competitors have to consider crucial steps in the early stages of their life cycle. These are imperative to strengthen their position as well as find their first consumers during the Development phase of the company. Then comes the stage of Growth where differentiation, focus and / or finding a niche market is crucial.

Brussels Beer Project is currently at the stage of Growth, as the market continues to strengthen while sales are increasing, and the brewery is getting famous through its continuous innovations. Indeed, Brussels Beer Project constantly modernizes its range of beers, resulting in a large variety of produced beers over the months. (Johnson et al., 2017; Little, 2014)

III. Reasons for failure / success

Brussels Beer Project is currently following a successful path, which is due to several elements.

Innovation

Brussels Beer Project is proud of being born in 2013 and not in 1494. Indeed, by inspiring themselves from foreign breweries and brewing techniques, and by innovating with new recipes, the brewery has created unique beer types as well as tastes and labels. Around 2013, supermarkets were mainly selling traditional beers from the Big Five, wherefore entering the market as beer creators instead of traditional brewers was seen as a disruptive innovation. Consequently, besides targeting Explorers and Loyalists, Brussels Beer Project is attracting Experts, also known as beer geeks.

Community

Since 2013, Brussels Beer Project's community plays a central role in the company. For instance, each "All Star" was elected by the community during yearly Prototype events, allowing the company's truest fans to have an impact on the upcoming produced beers.

Founders charisma

While interviewing Vincent Poswick, the founder of the brewery of the Abbaye of La Cambre, the entrepreneur started elaborating on the most important elements a company needs to possess to be successful. One of these elements was the charisma of the founders of a brewery. The interviewee used Olivier de Brauwere and Sébastien Morvan as an example by explaining how these two could have launched any successful business, as the duo is charismatic and inspiring. Indeed, having inspirational and charismatic leaders in a company is imperative to get a real community of followers. (Johnson et al., 2017; Poswick, 2020)

Crowdfunding

The company has obtained much financial help from its various crowdfunding campaigns. The latter has increased the notoriety of the brand and further increased the community of the company. Today, Brussels Beer Project is known as being one of the pioneers of crowdfunding campaigns in Belgium.

Co-creation

As previously mentioned, most of the beers that are produced by Brussels Beer Project are co-created. Indeed, besides the prototype events, various beers were co-brewed with foreign breweries, with artists or with community members who won a contest for instance. Co-creating beer strategically increases the company's notoriety, as the co-creator will share content on social media for example, which will in turn increase the community of the company.

Marketing

One of Brussels Beer Project's greatest skill is that one of marketing, though no single employee occupies the function of marketer. As an example, during the lockdown caused by Covid-19, Brussels Beer Project was the first brewery to take action and launch "Survival Packs". The latter included twelve beers that had to be selected online. For each bought beer, one euro went to IRIS[16], an association that supports employees working in the medical sector in Belgium. Thanks to great online marketing via social media platforms, over 1.000 packages of 12 beers were ordered in one week. Another example is that one of the Babylone beer. As previously mentioned, the latter beer is made from unsold bread from Delhaize that was supposed to be thrown away. Besides being advertised on the company's social media pages, the company's decision to reduce waste by giving a second life to bread appeared on various other channels, such as television, magazines, websites, etc. Consequently, many interviews took place and the brand's notoriety further increased.

IV. Conclusion

Brussels Beer Project's competitive position is considered as being Middling, while it is currently at the Growth stage of the life cycle. Indeed, the company's sales are increasing while the market continues to strengthen. During this phase, differentiation is of high importance. Fortunately, Brussels Beer Project is able to differentiate itself from competitors through its various initiatives.

Brussels Beer Project is currently maintaining a sustainable growth in the beer industry. Indeed, the company's growth is ethical, repeatable and responsible regarding current and upcoming generations. The reason for such sustained growth is mainly due to innovation. In fact, they entered the market by directly creating innovative beers that are far from the traditional ones that were previously offered by the Big Five. Today, the successful company is considered as having entered the market as a disruptive innovator.

Other factors have contributed to sustainable growth of Brussels Beer Project, namely the central role that company's community plays, the charisma of the founders, the crowdfunding campaigns, the co-creation of beers, as well as the impressive marketing skills of the company.

[16] For more information about IRIS, please go to the website: https://lesherosdiris.brussels/?fbclid=IwAR3XbwB7TZ03c-Cro8qD84lB8ww_gmOyxnoCBS5mQGq1aauwAd98GwVCRrc

3.1.4. Lutgarde's life cycle

The competitive position of Lutgarde in the beer industry is Weak. Indeed, the Big Five own an important part of the market share, resulting in aggressive competition between microbreweries. Moreover, after three years of activity, Lutgarde's production and notoriety remain small. In order to gain market shares, Weak competitors have to set in the early stage of their life cycle their focus on strengthening their reputation, acquiring loyal consumers, creating a strong identity and finding a protected niche. (CFI, 2020; Johnson et al., 2017)

Regarding its life cycle stage, Lutgarde is still at the Development / Start-up phase. Even though the company's sales and notoriety are increasing over the years, Lutgarde is still acquiring new clients and consumers.

3.1.5. Conclusion

There are several lessons that can be learned from Brabance and Brussels Beer Project. While the former company failed to maintain sustainable growth and to develop itself, the latter company is following a successful path.

Brabance's main reasons for failure are the absence of a clear business plan, the lack of consumer research, market and brewing knowledge. Also, the team behind the company has failed to work together, resulting in one person representing the entire company. Finally, unnecessary onerous expenditures were made, increasing further the company's already negative cash flows.

Brussels Beer Project's main reasons for success are linked to the innovativeness of the company's founders. In fact, Brussels Beer Project's products are considered as being disruptive innovations on the market. The company pays particular attention to its community which stands at the core of their business model. Other factors that have contributed to the company's growth are the charisma of the founders, the yearly crowdfunding campaigns, the co-creation of beers, as well as the company's impressive marketing skills.

The above-mentioned reasons for failure and success are highly valuable for Lutgarde to develop itself, as the company is currently at an early life cycle stage.

3.2. Is there an opportunity for the company in the long-term?

In this section, the recipe for a craft brewery – and for Lutgarde – to maintain sustainable growth in the beer industry is investigated. The recipe is established based on the analysis of the success and / or failure of Brabance and Brussels Beer Project as well as on a framework that was published in a journal article.

3.2.1. Recipe to maintain sustainable growth in the beer industry

In order to define the recipe for a craft-brewery to maintain sustainable growth in a competitive environment, a theoretical framework is used. For that matter, elements of an article that was published in 2020 in the *International Journal of Entrepreneurship and Innovation* are used. This article, which title is "Craft beer sector collaboration in North East Scotland: the role of individual success", tackles the required elements for the growth of a craft brewery among other topics (Cunningham & Barclay, 2020).

The authors' findings regarding the required elements for the growth of a craft brewery are classified in three categories; the possibility of achievement among craft breweries, the community embeddedness & integration and the development of the market. (Cunningham & Barclay, 2020) Based on the case of Brabance and Brussels Beer Project, a fourth category is added: "company identity".

These four categories are then divided into twelve sub-categories, which represent altogether the recipe for a craft beer company to maintain sustainable growth in a competitive industry and the answer to the research question of this thesis. Additionally, two "facilitators" were added to the typology. Facilitators are not essential to the recipe, yet these have an impact on the success of craft breweries. Table 3-1 illustrates the proposed typology.

Table 3-1

Typology of the recipe for a craft beer company to maintain sustainable growth in a competitive industry. Based on Cunningham & Barclay.

Possibility of achievement	Interest and knowledge in the craft-brewing sector
	Resistance to imitation
	Capital
	Facilitator: Third-party breweries
Company identity	Purpose and business plan
	Team cohesion
	Quality and taste of beer
	Sustainability
	Business ethics
Community embeddedness	Understanding and implication of community
	Locality
	Facilitator: Localised collaboration
Market development	Challenge the common
	Increase knowledge

I. Possibility of achievement

The first category refers to the possibility of achievement of new craft breweries. Its sub-categories are listed hereunder.

Interest and knowledge in the craft-brewing sector

Before launching a brewery, entrepreneurs need to understand what already exists on the market. Besides, entrepreneurs must increase their interest and knowledge about craft-brewing, making it a hobby and allowing them to get familiar with the beer industry. Without interest and knowledge about craft beer and the beer industry, new entrants have little chances to flourish and gain a competitive advantage, as knowledgeable competitors will be better off. (Cunningham & Barclay, 2020; Drakopoulou Dodd, Wilson, Mac an Bhaird, & Bisignano, 2018)

Resistance to imitation

Entrepreneurs must be innovative to succeed. Indeed, to create a competitive advantage, craft breweries should resist imitating great ideas of older craft brewing players and rather differentiate themselves through investment in branding, marketing campaigns and products. (Cunningham & Barclay, 2020) To resist imitation, various companies advocate Neolocalism, which is "where aspects of local production and the specific use of place branding are interwoven to embed a product within a specific place. This is articulated and made manifest by craft breweries as they develop their branding around a sense of place and personify their brands with storytelling drawing on myths and folklores drawn from the locality and its history". (Drakopoulou Dodd et al., 2018)

Capital

Capital is an indispensable resource to allow a craft beer company to grow sustainably. Indeed, a great amount of capital is often needed to allow breweries to grow and become successful in the first years. (Drakopoulou Dodd et al., 2018) Collecting money is becoming easier over time for craft breweries. Indeed, the craft beer industry has been booming over the past decades in Belgium, wherefore banks are willing to lend money to entrepreneurs that have a solid business plan. Besides borrowing money from banks, capital can be collected differently; through crowdfunding for instance. (Cunningham & Barclay, 2020)

Third-party breweries *(facilitators)*

Rather than being an indispensable element of the recipe, third-party breweries facilitate success and sustainable growth for craft beer companies not willing to risk an important investment. As a result, third-party breweries are facilitators for craft breweries to increase visibility, sales and production without having to reimburse a debt. (Drakopoulou Dodd et al., 2018)

II. Company Identity

The analysis of both Brabance and Brussels Beer Project has shown that one element is essential to the success of a craft beer company: the company's identity.

Purpose and Business Plan

To succeed, companies need to have a clear and defined purpose. The latter can be defined in four different ways;

- A **mission statement** which aims to provide employees and stakeholders with an idea of what the company's goals are;
- A **vision statement** which tackles wished future of a company;
- **Statements of corporate values**. These communicate the underlying core values that lead the strategy of a company and express how a company should operate.

- Finally, **objectives** encompass statements of results that need to be achieved by a company. (Johnson et al., 2017)

Moreover, having a clear idea of what a company aims to sell and having a detailed strategic business plan is a "prerequisite for entrepreneurial companies that are in need of external funding and for the long-term success of a company". (Johnson et al., 2017)

Team cohesion

As was analysed in the cases of Brabance and Brussels Beer Project, having a solid team behind the challenge of launching a craft brewery is essential. It is important to underline that craft breweries are mostly launched by entrepreneurs, while larger breweries and multinationals are run by businessmen. For the former to realize a profitable business, entrepreneurs need to work in solid teams rather than alone – or rather than with entrepreneurs that have different interests in the business. (Herz, 2018; Poelmans & Swinnen, 2018)

Quality and taste of beer

The quality and taste of beer is fundamental for the success of an entity. Beers are often the first thing that a craft brewery is identified with, wherefore stressing the importance of performing quality control and elaborating on the beer recipes is important for the success of a company. (Drakopoulou Dodd et al., 2018)

Sustainability

The production process of beer uses large amounts of water and carbon footprints, making such process rather environmentally unfriendly. However, since the trend of craft brewing has come up, plenty of craft breweries have started promoting greener practices by incorporating sustainability in their business models. The latter encompass the reduction of water and energy-usage, the use of local and green ingredients and the introduction of a general greener mindset. (Hoalst-Pullen, Patterson, Mattord, & Vest, 2014) All in all, it was proven that emphasising on sustainability has a positive influence on consumer's purchase decision. (Carley & Yahng, 2018) Indeed, from a survey that was led in 2018 with 1.095 craft beer drinkers, 59% responded being willing to pay more (around $1,30 per six-pack) for sustainably-produced beer. (Cohen, 2018) Another survey was led in 2019 by DSM Global Insights Series, with 3.300 interviewed craft drinkers. Half of these answered that sustainable craft beer are more attractive than other products. (DSM, 2019)

Business ethics

A special focus on business ethics is needed to find the recipe for a craft beer company to maintain sustainable growth in a competitive industry. The ethical development of individuals of an organisation needs to be cared about, wherefore managers need to align their values and beliefs towards responsible decision-making to allow sustainable growth. (Mbonu & Worlu, 2018)

III. Community embeddedness

Embeddedness in the local community is of central importance for craft breweries, as these represent their majority of followers, customers and employees. (Cunningham & Barclay, 2020)

<u>Understanding and implication of community</u>

Craft brewers need to focus on local customers as these represent the majority of consumers in the first place. However, to concentrate on the local customers, it is imperative to understand who these are. In fact, having a clear idea of its community's needs and wants regarding the offered products and potential projects is necessary to enable sustainable growth. To do so, it is important for the founders of craft breweries to be accessible and to organise events to communicate directly with one's community.

Once the community of a company is identified and understood, involving them in some of the company's decision process is imperative. In fact, since the local community makes up for a majority of consumers and followers, involving these in events and decision-making processes for instance will have a positive impact on a company's growth, as consumers will feel valued. (Peris-Ortiz, Cabrera-Flores, & Serrano-Santoyo, 2018)

<u>Locality</u>

The establishment of ties and partnerships with local companies is encouraged for craft breweries to strengthen competitiveness among other breweries. (Peris-Ortiz et al., 2018) On top of using local product supplies, using local place branding enables the embedment of a product within a specific region or location. Various breweries make use of locality to develop their branding and personify their brands with historical characters and myths that originate from a brewery's area, and the history of the latter. In fact, branded embeddedness in a locality is of utmost importance to the articulation of the identity of a craft brewery's. (Drakopoulou Dodd et al., 2018)

<u>Localised collaboration *(facilitator)*</u>

Making use of local collaboration is a strategic facilitator regarding the recipe for a craft beer company to maintain sustainable growth in a competitive industry. In fact, collaboration between different craft breweries enhances the awareness of both entities, as followers of the one company will be aware of the existence of the other one. Such collaboration can be enabled through a shared product, a tap take-over – when one brewery sells its craft beers at the establishment of the other brewery – or even through events, such as craft beer festivals. (Cunningham & Barclay, 2020)

IV. Market development

To stimulate growth, a general need to educate and increase knowledge of consumers on craft beers and craft breweries is acknowledged. Though there is an upsurge in the consumption and interest in craft beer, there is still an important number of consumers who are unaware of the availability of craft beer on the market and who are indifferent towards these, as multinationals occupy large market shares. (Cunningham & Barclay, 2020) As a result, to counter such blindness, several actions must be undertaken for craft breweries to gain in reputation and success.

Challenge the common

By producing and selling beers that have different tastes than regular / traditional beers offered by Big Five companies, craft breweries show innovativeness, which is one of the reasons why consumer choose to buy craft beers. In fact, if craft breweries were offering beers that were similar to those sold by multinationals, no single consumer would be willing to pay a higher price for such beer. As a result, part of the recipe to success for a craft beer company is to challenge the common by selling extraordinary beers which are not similar to those produced by multinationals. (Cunningham & Barclay, 2020)

Increase knowledge

In order to increase the awareness of consumers regarding a specific craft brewery, several elements need to be worked on such as marketing, events, advertisement and visibility. With marketing through social media platforms for example, awareness is raised, resulting in increased knowledge from potential consumers. Then, by being present at events such as festivals, notoriety is also raised. The same goes for advertisement, however this latter channel often comes at a cost which cannot always be paid by craft breweries. Finally, increasing visibility is imperative for craft breweries to increase knowledge. As a matter of fact, by being visibly present in retail stores through marketed shelves or by having attractive labels and a good branding for example, consumers might be attracted by such elements. (Cunningham & Barclay, 2020)

3.2.2. Lutgarde: Opportunity in the long-term?

In this section, with the previously collected information, the typology of the recipe for a craft beer company to maintain sustainable growth in a competitive industry is applied to Lutgarde. The last column of table 3-2 indicates whether Lutgarde fulfils the elements of the sub-category of the recipe. Therefore, a number ranked from 0 to 4 is inscribed, 0 referring to “not at all”, 1 to “not really”, 2 to “average”, 3 to “somewhat” and 4 to “very much”. Finally, based on whether the recipe is fulfilled or not, an analysis is made to conclude if Lutgarde has an opportunity to exist in the long-term.

Table 3-2

Lutgarde's position regarding the typology of the recipe for a craft beer company to maintain sustainable growth in a competitive industry. Based on Cunningham & Barclay.

Categories	Sub-categories	Lutgarde
Possibility of achievement	Interest and knowledge in the craft-brewing sector	3
	Resistance to imitation	4
	Capital	3
	Facilitator: Third-party breweries	*(4)*
Company identity	Purpose and business plan	3
	Team cohesion	4
	Quality and taste of beer	4
	Sustainability	2
	Business ethics	3
Community embeddedness	Understanding and implication of community	1
	Locality	4
	Facilitator: Localised collaboration	*(0)*
Market development	Challenge the common	2
	Increase knowledge	1

I. Possibility of achievement

This category obtained an average score of 3,33 without facilitator and 3,5 with facilitators.

Interest and knowledge in the craft-brewing sector

Before launching Lutgarde, both the Limauge brothers were interested in the brewing sector and knowledgeable about other players and the different types of existing beers. However, the founders have little knowledge about brewing science, wherefore they did not elaborate much on different recipes. Therefore, this sub-category of the recipe is "somewhat" fulfilled.

Resistance to imitation

Lutgarde's branding, beer etiquettes and products are rather different than what exists on the market. Though Vincent Poswick, the founder of the brewery of the Abbey of La Cambre, believes Lutgarde's founders copied his brewery's logo – as both beers are represented by nuns –, the Limauge brothers argue that imitation did not happen, as their logo was created by a professional designer. Moreover, the branding of the company is created around Neolocalism, which prevents imitation. Indeed, the company's name, Lutgarde, comes from the myth of Saint Lutgarde who once lived in the Abbey of Aywiers. Therefore, it is safe to say that Lutgarde used both its cultural and historical heritage for its branding, making the latter unique. As a result, this sub-category ranks with a 5, meaning that it is "very much" fulfilled.

Capital

As Lutgarde's first batch was quickly sold, the company had a rapid access to liquidities. Moreover, the company did not invest in brewing material, wherefore Lutgarde did not need a large amount of capital. Regarding their community, the Limauge brothers did not make use of their consumers to raise funds via crowdfunding for example. Instead, they relied uniquely on their sales. Then, for the funding of Lutgarde's bar in 2020, banks were eager to lend money to the company, as the latter was able to prove success. As a result, this sub-section of the recipe is "somewhat" fulfilled.

Third-party breweries *(facilitator)*

Before investing in brewing material, Lutgarde's founders wanted to ensure their success, wherefore all of the company's beers have been brewed at third-party breweries: first at Bertinchamps, lately at Anders, allowing cost cutting. As a result, even though it is considered as being a facilitator, this element of the recipe is "very much" fulfilled.

II. Company Identity

This category obtained an average score of 3,2.

Purpose and Business Plan

Regarding the company's purpose, Lutgarde has a clearly defined mission and a vision statement. However, no statements of corporate values and objectives were developed. Then, regarding the company's business plan, Lutgarde has a detailed strategy for the upcoming years. Indeed, Lutgarde is a brewery that sells three beers constantly and that brews extraordinary beers once a quarter. Moreover, the company will be opening a new bar in the upcoming months in order to have a place to gather Lutgarde's community and craft beer lovers. Regarding production and exports, the brewery has a clear vision of its targets. As a result, though there are no statements of corporate values and objectives, Lutgarde has a defined outlook of its future objectives and strategies for achieving these latter objectives, wherefore this element of the recipe to success if "somewhat" fulfilled.

Team cohesion

Victor and Augustin Limauge are close brothers who grew up together at the Abbey of Aywiers and whose interest in craft beer gathered them to launch their microbrewery. Since the launch of the company, the brothers' relationship has been healthy while they work as associates on a daily basis. As a result, this element of the recipe is "very much" achieved.

Quality and taste of beer

Ranking the quality and taste of Lutgarde beer is rather subjective. However, by judging from the amount of sales and the increase in the yearly produced hectolitres, it can be concluded that the Lutgarde beers are rather appreciated. As a result, based on the latter elements and from a personal perspective, this element of the recipe is "very much" fulfilled.

Sustainability

Though the company aims to reduce its ecological impact as much as possible and has as project to have a 100% sustainable brewery, the latter is not yet achieved, wherefore this element of the recipe ranks as "average". The reason for not ranking this element with a 3 is because many breweries are reducing their ecological impact wherefore without concrete and impactful actions, Lutgarde cannot be performing better than average on that element.

Business ethics

Lutgarde's five employees are cared for and both founders' values and beliefs are aligned towards responsible decision-making regarding their employees. However, no clear actions are taken for further professional development in the company, such as trainings for example. For that reason, the element of business ethics is "somewhat fulfilled".

III. Community embeddedness

This category obtained an average score of 2,5 without facilitator and 1,66 with facilitators.

Understanding and implication of community

While Lutgarde has a clear vision of who its consumers are, the founders are not easily accessible to the community, as few events were organised for example. Moreover, the company's community is not involved in any decision process of the company. Therefore, this element of the recipe is "not really" fulfilled.

Locality

All products used for the brewing process of Lutgarde's beers are local. Moreover, the branding of the company related to the Abbey of Aywiers, wherefore it allows the embedment of the product within the specific region around the abbey. As a result, this element of the recipe ranks as "very much".

Localised collaboration (facilitator)

Regarding collaborations, besides having participated to the event called "Les Jardins d'Aywiers" and to a couple of festivals, the company is not making use of local collaboration. As a result, this facilitator is "not at all" used

IV. Market development

This category obtained an average score of 1,5.

Challenge the common

Lutgarde constantly sells and produces three craft beers that are commonly produced by breweries: a Blonde, a White and an IPA beer. On top of that, four exclusive beers are sold yearly at a limited volume. As a result, the common is not challenged by the three permanent beers. However, the exclusive beers counterbalance the latter, resulting in this element of the recipe being ranked as "average".

Increase knowledge

Even though the branding of the company is strong, the company is not successfully increasing the awareness of its customers. Indeed, regarding marketing and advertising, social media platforms are not used to their full extent. Moreover, Lutgarde is not present at various events, wherefore the company's notoriety is not extensive so far. Finally, besides the eye-catching beer labels, the company has built marketed shelves which are present in a majority of the retail shops in which Lutgarde beers are sold. All in all, this element of the recipe is "not really" fulfilled.

V. Lutgarde's position

All in all, Lutgarde holds an average score of 2,63 out of 4 without facilitators and of 2,46 with facilitators. This score was calculated by averaging the individual scores of each category. It is important to note that the latter score was given without any ponderation between sub-categories within the categories of the recipe.

When digging a little deeper and examining the scores at the category level, it can be observed that Lutgarde's weakness mainly comes from its embeddedness in the community and market development (2,5 and 1,5 respectively). Nevertheless, Lutgarde shows strengths in its company identity and possibility of achievement (3,33 and 3,2 respectively).

With a score of 2,63, the company has a clear opportunity of growth in the long-term, however some elements need to be addressed.

Indeed, on the one hand, the company holds a strong position regarding its interest and knowledge in the craft-brewing sector, resistance to imitation, capital, purpose & business plan, team situation, quality & taste of beer, business ethics and locality. On the other hand, elements of the recipe such as sustainability, understanding & implication of the community, challenge the common and increase the community's knowledge are not sufficiently focused on at the moment. If not improved, the latter elements could prevent Lutgarde from maintaining sustainable growth in the beer industry in the longer-term.

3.2.3. Conclusion

A theoretical framework is used in this section to define the recipe for a craft-brewery to maintain sustainable growth in a competitive environment. For that matter, a typology is created, merging both components of an article that tackles the required elements for a craft beer company to grow, and elements that came out of the analysis of the success and failure of Brabance and Brussels Beer Project. The typology consists of four categories; the possibility of achievement among craft breweries, the company identity, the community embeddedness and the development of the market. These four categories are then divided into twelve sub-categories.

To analyse whether a company fulfils the twelve sub-categories, the latter are ranked from zero to four, depending on the extent to which companies fulfil each sub-category. Regarding Lutgarde, the company holds an average score of 2,63 out of 4, meaning that Lutgarde "somewhat" fulfils the recipe for a craft beer company to maintain sustainable growth in a competitive industry. Consequently, Lutgarde has great potential for the long-term, provided that the company focusses on improving the elements that ranked poorly.

General Conclusion

The aim of this thesis is to identify the elements for a craft beer company to maintain sustainable growth in a competitive industry and assess Lutgarde's position and growth potential in the market through an established framework.

In order to provide an adequate answer to the research question, the following objectives were met: investigate the Belgian beer market, research the main reasons for the rise in the number of craft breweries, assess the current position of Lutgarde, and finally to understand the reasons of success and / or failure of similar breweries.

To develop a recipe for success in the beer industry, the outcomes of the analysis of Brussels Beer Project and Brabance were merged with a literature-based structure to obtain a final framework. The latter consists of four categories: the possibility of achievement among craft breweries, the company's identity, the community embeddedness and the market development. These four categories are then divided into twelve sub-categories.

By attributing a score to each sub-category, a global assessment can be made of a craft brewery. This approach was performed on Lutgarde and resulted in an above-average score of 2,63 out of 4.

Overall, Lutgarde has proved to have a powerful identity and strong achievement potential, while showing weaknesses in its embeddedness in the community and market development. More specifically, this young brewery has set an example by displaying excellency in its resistance to imitation, local presence, quality of beer and team cohesion. However, some clear improvement points have been identified, notably the company's lack of communication around sustainability, implication of the community, investment in brand awareness and challenging of the common.

In conclusion, Lutgarde "somewhat" fulfils the recipe for a craft beer company to maintain sustainable growth in the beer industry. Provided some improvements, it is safe to say that Lutgarde has great potential for the long-term and is thriving towards a growth that is ethical, responsible regarding current and upcoming generations, as well as repeatable.

There are two main limitations to the above-mentioned conclusions. First, as the number of companies analysed with the established framework is yet limited, the results should be interpreted with a certain degree of caution. Indeed, it would be interesting to apply the recipe to other young craft brewing companies. Secondly, to correctly assess the accuracy of the framework, it is important to follow the evolution of Lutgarde and other studied breweries over time. Regarding future research, further improvement to the recipe could be made by implementing a ponderation between its elements.

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