

Submission #2

Situation Analysis and Strategy

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Understanding the external environment is crucial when creating a marketing plan. The external environment can be difficult to predict due to the lack of control companies have over it. By breaking it down into a CREST analysis, we can better understand how the external environment affects the business and how we can use what we already know and try to predict what will happen to create a competitive advantage.

Competitive factors

Direct competitors: The direct competitors of Flying Monkeys include Bicycle Craft Brewery, Brimstone Brewing Co, Common Good Beer Co, and Natterjack Brewing Company Ltd (Datanyze, 2023).

Substitutes: Due to the unique qualities of craft beer, there aren't any direct substitutes. Flying monkeys prices its beer between \$3.25 for its lighter beers and \$4.25 for its stronger ones (LCBO, 2023). A consumer who is price continuous may substitute for a competitor's beer if they are interested in spending as little as possible

New entrants: Since the recent pandemic, the threat of new breweries opening has lessened. Although, the increase of home brewers could affect the craft brewery industry if home brewers obtain a licence and can produce more products.

Suppliers: Where breweries get their supplies and at what cost will greatly affect the price they can sell their products. The main component of beer making is the grains that are used. The use of grains increases suppliers' bargaining power in the market, and due to the number of breweries, the bargaining power increases (UniqueWritersBay, 2019). Supplies like aluminum

16 oz cans becoming scarce also affect the supplier bargaining power (UniqueWritersBay, 2019).

Buyers: Buyers in each region are given options as to what beers they want to carry and how many. The wide variety of companies buyers can choose from thus increases its bargaining power. Brewers like Flying Monkeys who can't produce beer in large quantities won't be able to fill the shelves at local retailers like some competitors, which in turn creates fewer sales. (UniqueWritersBay, 2019)

According to Datanyze 2023, Flying Monkeys' annual revenue is 3.8 million, and according to Smetanin 2022, the annual revenue for the craft beer industry in Ontario is 683 million and 1.9 billion in Canada (Customized Report Service, 2020). Therefore, Flying monkey's market share in Ontario is 0.006% and 0.002% in Canada.

Regulatory Factors

The Federal legislations and Provincial laws that affect Flying monkeys are as followed.

Competition Act:

This act "promotes the efficiency and adaptability of the Canadian economy. Expands opportunities for Canadian participation in world markets while at the same time recognizing the role of foreign competition in Canada. Ensures that small- and medium-sized enterprises have an equitable opportunity to participate in the Canadian economy. Provides consumers with competitive prices and product choices (Lamb et al., 2022, p.17). " This allows for small businesses like Flying Monkeys to be able to compete fairly in Canada but also allows its competitors to do the same.

Consumer Packaging and Labelling Act:

This act “requires pre-packaged consumer products to bear accurate and meaningful labelling information to help consumers make informed purchasing decisions. It prohibits false or misleading representations and sets out specifications for mandatory label information (Lamb et al., 2022, p.17).”

Registering the Business:

“Federal Business Registration is mandatory if your business makes \$30,000 or more per year (Starting a Craft Brewery, 2018, p.21).”

Excise Act:

“The Canada Revenue Agency (CRA) is the governing agency that oversees the administration of the Excise Act, which regulates the production of, and imposes duty on, beer in Canada. In Canada, the definition of beer includes beer and malt liquor that have an alcoholic strength not exceeding 11.9% absolute ethyl alcohol by volume (Starting a Craft Brewery, 2018, p.21).”

Provincial Business Registration:

“Business Name Registration in Ontario is required if the name of a new business is different from the business owner’s legal name. The registration is valid for 5 years and it is your responsibility to renew upon expiration (Starting a Craft Brewery, 2018, p.22).”

Manufacturer’s Liquor Licence:

“All beer manufacturers in Ontario must obtain a manufacturer’s Liquor Licence from the Alcohol and Gaming Commission of Ontario (AGCO). The AGCO manufacturer’s licence gives a brewer the authority to sell beer to the Liquor Control Board of Ontario (LCBO) and distribute through its distribution system or by other approved means. The AGCO inspects breweries to ensure

compliance with the Liquor Licence Act, its regulations and adherence to AGCO policies and guidelines. Craft brewers in Ontario must comply with all municipal business licensing, zoning, building and fire regulations (Starting a Craft Brewery, 2018, p.23).”

Limited Liquor Sales Licence (By the Glass):

“The “By the Glass” initiative allows Ontario breweries to apply to the AGCO for a Manufacturer’s Limited Liquor Sales Licence to sell and serve their alcohol to patrons for consumption in single servings at their manufacturing site. The selling and service of the manufactured alcoholic beverage must solely be for promotional purposes either by providing an enhanced tourist experience or by fulfilling an educational purpose. The “By the Glass” licence permits beer contained in a 12-oz size to be served from 11 a.m. to 9 p.m. Licensees under a Manufacturer’s Limited Liquor Sales Licence are exempt from the requirement to sell food because of the limited intent and nature of the “By the Glass” licensing. Although exempt from this requirement, licensees can provide snacks and other food to guests when possible and in appropriate circumstances (Starting a Craft Brewery, 2018, p.24).”

Economic Factors

The greatest concern are consumers’ incomes, purchasing power, inflation, and recession (Lamb et al., 2022, p.19). Those who drink craft beer are typically middle to high-class citizens with more purchasing power than those who drink regular beer. This benefits a small business like Flying Monkeys because although people are still recovering from the recent pandemic, its customer base is amongst the people who are still afloat financially. According to Beer Canada 2022, Canadian companies brew 90% of all beer consumed by Canadians annually. Therefore consumers who live in Barrie would most likely want to support a local business like Flying Monkeys Brewery. Plus, it is more economical for consumers to purchase beer locally than international beer from other companies. With the high chance a recession is approaching,

Flying Monkeys will be more sustainable than other small businesses due to the financial status of its customer base, plus the demographic of older gen z's and millennials are typically childless and have the extra money to spend. Regarding inflation, there's been a significant impact on all businesses. The highest costs for any craft brewery are CO2 and barley. So as inflation continues to rise, brewers are seeing increased prices between 450% - 900% (Inflation's Coming for Your Pint, 2021). That goes for all costs of running a business; gas, heat, and hydro have also increased. Inflation's Coming for Your Pint, 2021, mentions a craft brewery owner saw a 54% increase in their annual electricity consumption. Since the economy went on a ride during the pandemic, the Government of Canada released a statement in 2022 about increasing the federal beer tax by 6.4% in the following year (Canada, 2022). So even though Flying Monkey's target market won't have an issue affording to continue supporting the brand, the brand itself needs to be careful as to how much its prices rise to avoid losing them.

Social Factors

Social change is the most difficult factor to predict due to the constant trends and changes in the business demographic. By looking at Flying Monkeys PRIZM segments, the qualities of its demographic are environmentally conscious, take advantage of opportunities, and are willing to take risks (Environics Analytics, PRIZM, 2023). They are willing to spend the extra dollar on things they want and enjoy spending money on a night out with friends and trying new things (Environics Analytics, PRIZM, 2023). These people are between the ages of 24 and 40, range in ethnicity and prefer living in busy cities near downtown areas (Environics Analytics, PRIZM, 2023). Gen z's "recognize television commercials for what they are- just advertising (Lamb et al., 2022, p.23), hence the way Flying Monkeys' advertisements need to feel not like an advertisement. The use of social media will be the best way to capture the older Gen z consumers and not make them feel like they are being marketed toward. Their millennial-aged consumers have a higher sense of social responsibility due to them being older and having had

to make larger financial purchases like a house or car. Therefore they won't be willing to spend money as aimlessly as Gen z's. So making what they are purchasing seem like a "good deal" will be more enticing. Millennials value a work-life balance due to their high sense of entitlement (Lamb et al., 2022, p.24), so spending their time out with friends at a local bar is something they will always make time for. Flying Monkeys has built a brand around the uniqueness of its beer and have created an equally unique environment in its restaurant. Continuing to do so will keep its local demographic interested and retain its business with the brand. But since Flying Monkeys is only operating at one location, the tourists who visit the location will have a harder time being a repeat customer due to the limited locations Flying Monkeys distributes its beer.

Technological Factors:

As far as technological factors go, brewing craft beer is seen as an "artform" and involves a meticulous process that brewers spend a lot of time perfecting. The implementation cost of incorporating new technology isn't something most brewers can adapt easily. AI can improve beer production, "customization of alcohol content, flavour, colour, aroma, and product development is much more viable and faster (Technology Is Taking over the Brewing Industry by Storm, 2022)." This can oppose a threat to Flying Moneys due to the small size of operations and limited financial recourses compared to more established brands, which can utilize AI technology and produce beer at a more precise and faster rate. The smartphone app Untapped is a networking app that allows users to score the quality of the beers they drink and see what their friends are drinking (Technology Is Taking over the Brewing Industry by Storm, 2022). Apps like these make it easy for consumers to be in the know of competitors' beers and can increase the likelihood of consumers switching up what they are drinking. This can negatively affect small businesses like Flying Monkeys, which rely on customer retention. It could also be positive if its customers rated its beer at a high score and ultimately creating more recognition. Another new technology is called "blockchain technology," which can be used by consumers who are

interested in the quality of materials that are in the beer (Technology Is Taking over the Brewing Industry by Storm, 2022). This technology can “track the origins of their beer's barley, including where it was produced, harvested, and malted track the origins of their beer's barley, including where it was produced, harvested, and malted.” This would interest environmentally and health-conscious consumers and those who support locally sourced businesses like Flying Monkeys by establishing a more personal connection.

Internal Analysis:

By analyzing the internal environment, you can, as a company, see what you already know about your business. This includes what you know you are doing positively, what you could be doing better at, and what implications are in the way of creating more success for the business. By conducting an internal analysis, we can highlight each of these areas, then break it down into a SWOT analysis to see each area more clearly.

Positive: Flying Monkeys have created a loyal customer base and strong brand recognition with its high product quality. Their location is optimal for tourists and locals, making them a hub for entertainment and spending a night with friends. By offering unique flavours like passionfruit, orange creamsicle, and raspberry hibiscus, the company has something for anyone. Flying Monkeys distributes its beer in multiple stores across Canadian provinces and select countries. This makes Flying Monkeys the largest international shipper of Ontario Craft Beer (Dobson, 2020). Flying Monkeys has created a relaxing and inviting environment, setting them apart from the other bars in the downtown area. Since its demographic is older generation z's and millennials interested in learning about technology and how things are made, offering tours of its brewery has been a great way to create additional revenue for the company.

Negative: Since Flying Monkeys have only one location in Barrie, this limits consumers who have tried its beers from picking up one in a store location but are unable to support the company more due to them not living close by. Plus, the local consumers who enjoy Barrie's nightlife may choose to go to another local bar due to Flying Monkeys closing an hour earlier than the other competitors nearby—only having one location where the beer is produced limits how much it can make. This reflects on the shelves in stores where its beer can be found and allows competitors who can create more of its product to take up more shelf space. The company's social media presence is also lacking. They currently have a Facebook page and Instagram account. Still, they are not as active as they should be if they want to take advantage of the gen z audience. By not introducing a TikTok account, they are limiting its reach to potential customers. Since the TikTok algorithm targets the exact audience each video is intended for, Flying Monkeys is missing out on a free marketing technique to bring in new customers and create repeat ones.

Implications: Flying Monkeys have done a great job establishing themselves in the craft beer industry. They've taken what people love about craft beer and continued to push the boundaries with their passion for unique flavours. Since its opening, they've continued with its same methods and have done well for itself. Doing the same thing lets its consumers know what to expect each time they visit the location or drink one of their favourites from a local store. It's time for Flying Monkeys to expand and reach more of its demographic. Capitalizing on social media to advertise the brand will allow them to be sustainable and withstand external environmental changes. Reaching a younger audience and including the interests of more females will enable the company to grow and expand into new waters.

SWOT Analysis

	Positive	Negative
Internal	<p>Strengths</p> <ul style="list-style-type: none"> ● Loyal customer base due to its strong history of the owner Robert Simpson being the first mayor of Barrie (Dobson, 2020). ● Strong brand recognition as they have colourful and unique designs on their products that makes them stand out ● High product quality ● Strong placement of location in downtown Barrie, ON ● Distribution in multiple stores across Canadian provinces such as Ontario, Alberta, and Manitoba. As well as Denmark, Finland, Netherlands, Spain and the USA (Where to Find, 2023). ● exports to over 23 countries, making it the largest international shipper of Ontario Craft Beer (Dobson, 2020). 	<p>Weaknesses</p> <ul style="list-style-type: none"> ● Only one location ● Limited financial resources ● In comparison to other bars in the same area, flying monkeys brewery closes an hour before ● Can't produce beer in large volume ● Lacking social media presence
External	<p>Opportunities</p> <ul style="list-style-type: none"> ● Expand its target market to young Gen Z and more females. ● open a new restaurant located in a highly populated area like Toronto, where a large majority of its demographic resides 	<p>Threats</p> <ul style="list-style-type: none"> ● Home brewing ● Liquor Liability ● Mass market companies making similar products and have more of their products on store shelves ● Local competitors who sells ciders, seltzers, etc, which hits their missed target market

Competitive advantage:

Flying Monkey competitive advantage that sets them apart from its competitors is that that have capitalized on the unique qualities that craft beer is known for and pushed those boundaries further. Flying Monkey's motto, "Normal is Weird," is tied into the wide range of unique flavours the company makes. Describing its beers as "radical," Flying monkeys have various flavours like

raspberry hibiscus, orange creamsicle, and a chocolate stout. This has attracted a wide range of craft beer lovers since 2004. As a company, they are always looking for new ways to bring exotic flavours that their customers have never heard of before. Unlike their competition, they pride themselves on being a free-thinking and long-standing craft brewery that crafts beer differently (Home, 2020).

Mission statement:

“Our mandate: Brew Fearlessly. There comes a scary day in every good Craft Brewery’s existence where you give the criticizing eyes that look over your shoulder the finger, and you follow those undeniable instincts that drove you to become a Craft Brewer in the first place. And then, well, that’s when the real story begins...(Home, 2020).”

Select 3 PRIZM Segments:

Downtown Verve (06)

Psychographic (personality, motives, lifestyle)

Those in the *Downtown Verve* segment prefer fashionable, downtown living in duplexes and semi-detached houses and are comfortable being in large crowds (Environics Analytics, PRIZM, 2023). They enjoy activities like visiting local neighborhood bars, restaurants, cinemas, and theaters (Environics Analytics, PRIZM, 2023). These people value healthy lifestyles like eating organic food, taking fitness classes and playing racquet sports (Environics Analytics, PRIZM, 2023). Regarding an active lifestyle, they commute to work and school by walking, biking, or public transit (Environics Analytics, PRIZM, 2023). They stay informed about technology, are environmentally conscious, and like trying new products and places. (Environics Analytics, PRIZM, 2023).

Demographic (age, gender, income, occupation, FLC)

The age group is described as young and “middle-aged singles, couples, and families (Environics Analytics, PRIZM, 2023).” They are primarily older millennials with a mix of males and females with low diversity. Due to this segment having the “highest post-secondary education attainment (Environics Analytics, PRIZM, 2023)”, the average household income is \$170,830. Their employment is in high-paying management and white-collar positions (Environics Analytics, PRIZM, 2023). The family life cycle is “school-age families (Environics Analytics, PRIZM, 2023).”

Geographic (market size, market density)

The market size presented in *Downtown Verve* makes up “1.2% of the Canadian population and 1.21% of households (Environics Analytics, PRIZM, 2023)”, which is about 460,000 people. Primarily living in busy cities means high market density within this society. I am also relating to commuting daily to work or school; the accessibility of transits to get by leads to a more city-life approach (Environics Analytics, PRIZM, 2023).

Latte Life (28)

Psychographic (personality, motives, lifestyle)

Being one of the youngest segments, and mainly live in old low-rise buildings. This segment is “night owls who frequently visit bars, dance clubs, art galleries and music festivals” (Environics Analytics, PRIZM, 2023). They are health-conscious and “status-conscious” and enjoy keeping in shape (Environics Analytics, PRIZM, 2023). While they enjoy the nightlife activities, they “balance alcohol and cannabis-fueled partying with the use of healthy foods like organic fruit and vegetables to recharge (Environics Analytics, PRIZM, 2023).” They believe you should

question authority, take risks, share significant events and enjoy spending money on things, whether practical or not (Environics Analytics, PRIZM, 2023).

Demographic (age, gender, income, occupation, FLC)

Half of this segment is male and female, 25-44 years old (Environics Analytics, PRIZM, 2023). Primarily young adults who have recently completed or are completing post-graduate level education (Environics Analytics, PRIZM, 2023). This low diversity and university-related group hold an income average of about \$91,040 from entry-level, white-collar, or service-sector jobs. Leading an independent lifestyle, the family life cycle segmentation is very young singles and couples (Environics Analytics, PRIZM, 2023).

Geographic (market size, market density)

The urban living of Latte Life represents “0.48% of Canada’s population and 0.77% of households (Environics Analytics, PRIZM, 2023)” which is about 183600 individuals. These individuals live in busy cities with a high market density (Environics Analytics, PRIZM, 2023).

Indieville (22)

Psychographic (personality, motives, lifestyle)

Lifestyles in *Indieville* are drawn to the “vibrant, urban core of the nation's big cities (Environics Analytics, PRIZM, 2023)” and often “live in older, low-rise apartments, duplexes, and semi-detached dwellings (Environics Analytics, PRIZM, 2023)”. As this target group is drawn to big and vibrant cities, it motivates an active social life in this target group, like going to nightclubs, pop concerts and art galleries. Those in this segment value balance and well-being, as they enjoy swimming, yoga and pilates. *Indieville* also uses a technological approach when serving their needs by using online shopping tools to purchase books, music, clothing, and

groceries (Environics Analytics, PRIZM, 2023). For this segment, they must have a more spiritual inner life, enjoy complex situations, and take advantage of opportunities (Environics Analytics, PRIZM, 2023).

Demographic (age, gender, income, occupation, FLC)

Those in the *Indieville* segment are a mix of young and middle-aged millennial singles and male and female couples with low diversity (Environics Analytics, PRIZM, 2023). 40% of these individuals are university educated and have an average income of \$109,922 (Environics Analytics, PRIZM, 2023). Due to their “white-collar and service sector jobs, they are at the lower end of the career ladder (Environics Analytics, PRIZM, 2023).” The family life cycle in these younger singles and couples (Environics Analytics, PRIZM, 2023).

Geographic (market size, market density)

Indieville represents “1.37% of Canada’s population and 1.39% of households (Environics Analytics, PRIZM, 2023)”, totalling 524,025 people. Those in this segment live in the busiest cities, making it a high market density (Environics Analytics, PRIZM, 2023).

Marketing Objectives

We aim to achieve a 10% ROI by the end of 2024, and payback the new investment within five years.

Our objective is to spend 10% of revenue on research and development between 2023-2024 to introduce at least five new craft beers.

Our objective is to increase beer sales by 50% by the end of 2023 with the opening of our new location.

Strategy for growth

Our growth strategy comprises four parts: our place, product, pricing, and promotion. Our place strategy will feature a new restaurant location based on where our PRIZM segments live and like to visit. We concluded that Toronto would be the ideal spot for our new site as we already send beer there to be distributed, which will cut the costs of opening an entire brewery. For our product strategy, when we open our new location, we will add additional beers, piquing the interest of returning customers and newcomers. After introducing our new line of beers, we will use our data on which beers sell the most and add them to our permanent menu exclusive to the new location. As we move into our pricing strategy, we decided that daily specials on specific beers and menu items would help customers feel they are saving money on specialty items. This will also help us keep interested in menu items that may be less well known, for example, our line of seltzers. Our promotion strategy will be made up primarily of social media. We will use our business accounts on streaming services such as TikTok, Instagram and Facebook to capitalize on sales, events, and new products. These streaming services will help us to connect with our target market without spending too much money on advertising.

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