

# Segmenting Your Customer Base

## And Expanding Your Beer Business

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It has been an interesting year for beer. With sub-premiums up, the majority of mega-brands on the downward slide, and consumers flocking to craft brands in spite of the economy; retailers are left scrambling to find shelf space for the deluge of new brands, limited releases, collaboration beers, seasonal brews, and wondering what exactly is the “right” beer mix to stock.

How important is beer to your business? Now is the perfect time to assess your beer customer mix and revisit your objectives for beer.

### Where to Begin

Start by looking forward and asking four specific questions:

- How committed is my business to selling beer?
- How much beer do I want to sell?
- How much beer do I deserve to sell?
- What do I need to do, to ensure that my store deserves to sell as much beer as I want to sell?

Most stores have a commitment to beer that is somewhere between just stacking and dispensing or taking the time to hand-sell beer. Either way, each customer interaction should be looked at as an opportunity to increase margins. With eating out down significantly, on-premise retailers need ways to increase individual customer profitability, pour-by-pour, bottle-by-bottle.

Increasing your overall beer sales requires moving a percentage of your customer base up to more profitable brands; increasing beer volume is less hands-on and more about quantity discounts and expanding your current beer selection.

### Rethinking Your Customer Base

There are many ways to look at your customer base: by the styles that they buy, by import and domestic, light and dark beers, even by beer fullness. However, each of these is only one component of the individual brand or the consumer’s individual beer experience. A different approach we have been looking at is segmenting both the beer brands being sold and beer consumers, by beer “complexity”.

By bucketing beer brands and consumers by beer complexity, you have a baseline to isolate the changes needed to achieve increases in beer sales and volume. By looking at your business by complexity, you move away from thinking about beer styles and instead focus on providing consumers with the “right” brand mix; a better overall beer experience and a win/win for retailers, brewers and consumers.

### Complexity Segmentation

Beer brands and consumers can be differentiated by Basic, Starter, Complete, or Peak Complexity. The complexity of a brand is derived by factoring color, bitterness, fullness and product style.

**Basic Complexity** brands generally consist of Lagers and Light Lagers which offer a balanced flavor. These brands are not overly malty, slightly hoppy, and are often described as clean and crisp. Example brands are Coors, Coors Light, Budweiser, and Stella Artois.

**Starter Complexity** brands consist of both Ales and Lagers and offer a step up in flavor from those of Basic Complexity. These beers are less balanced and are perfect for allowing consumers to experience an expanded taste profile. They might have an increased hop bitterness, a bigger malt profile, or a predominate wheat, fruit, or spice flavor. Example brands are Foster’s Lager, Redhook ESB, Boulevard Unfiltered Wheat Beer and New Belgium Fat Tire.

**Complete Complexity** brands are balanced. These beers consist of both Ales and Lagers and offer a wonderful flavor experience for consumers. Greater amounts of hops, malt and additional ingredients provide a more defined bitterness, sweetness and overall fuller taste profile. Sam Adams Boston Lager, Guinness Stout, and Sierra Nevada Pale Ale are good examples.

**Peak Complexity** brands are strong, big and unbalanced by design, with flavors that tip the scale toward hops, malt, yeast, or adjuncts depending on the style and brewer. These beers can consist of both Ales and Lagers and are often marketed as being Imperial, Limited Releases, collaboration beers, and seasonal brews. Good example of these brands are Stone’s Arrogant Bastard, Rogue Morimoto Imperial Pilsner and Speakeasy Prohibition Ale.

### Putting this to Work in Your Store

Now do a self assessment. What percentage of your business or your customers are allocated to brands of Basic, Starter, Complete or Peak Complexity? As an example, let’s say from the self assessment your current business is: 40% Basic; 20 % Starter; 40 % Complete and that your business objective is to increase your net beer sales.

Increasing the available Starter Complexity brands and decreasing the number of Basic Complexity brands, and perhaps adding a few Peak Complexity products, would provide you the product mix you need to move customers up to the next level of complexity and increase profitability.

Consider structuring your price points based on these Complexity buckets and charging more for more complex brands.