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From Grain to Glass to Covid 19

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Abstract

The case examines the business operations of Midwest Whiskey, MWW, focusing on the downstream supply chain. This includes examining the risks, efficiencies, and modes of distribution for all of the MWW products, before and during the COVID-19 Pandemic. Questions of interest include: Considering the downstream supply chain for MWW, where would you suggest Casey invest in the B2B and B2C Channels? Would your answer change had the pandemic not occurred? What risks does MWW have? Why did you choose each? What capabilities, and subsequent actions, can MWW use to mitigate these? What are positives and negatives to investing in a three-way liquor license? What parameters should be taken into consideration in developing a forecasting model?

Keywords: Whiskey Business; Distillery, Downstream Supply Chain, Pandemic, COVID-19

The Midwest Whiskey Case

In 2014, the partners at Midwest Whiskey (MWW) left their day jobs in finance and law in Indianapolis to pursue their dream of making a line of all-Indiana whiskeys to be proud of, at an affordable price. The philosophy of the company was to make products that were always 100% Indiana from grain to glass. The business had succeeded beyond all hopes and expectations, and in 2020 Casey Dixon, the majority owner in MWW, was facing a number of challenges brought about by their success.

By definition, whiskey can be produced using any cereal grain. In the United States, corn has predominantly been used, in part because its famous Bourbon whiskey product is legally required to be at least 51% corn. Indiana, which is 5th in the nation in corn production (A Look at Indiana Agriculture, 2019) is a natural fit for these varieties, and MWW was taking full advantage. Although sourcing their grain from a single farmer less than an hour away, there was little space available for grain storage or other equipment necessary for growth in production at their stillhouse, which had housed the operation for the last four years. In addition to the Indiana corn, MWW produced their spirit using the local water supply, which was passed through reverse osmosis before being combined with grain in the mashtun. Once in the mashtun, it steeped between 4 and 6 hours before being passed into the large, open fermentation tanks, where the sugars in the grains and naturally occurring yeast create alcohol, and flavor development occurs over 6 to 7 days. Finally, the mixture was distilled into unaged spirit, which took approximately 8 hours. Once barreled, the product was moved to their off-site rackhouse, where it spent up to three years aging before bottling, as the interaction between the barrel and spirit served to further develop flavor. In some cases, select products, such as "straight" bourbon, required the product to age for a minimum time period, in that case, two years.

Although the majority of their sales (52% in 2019) were through distribution, including package and grocery stores as well as restaurants throughout Indiana, Illinois, and Texas, the Indianapolis stillhouse also contained their tasting room, which provided a retail outlet for customers to sample and purchase products for both on-site consumption and carry-out. MWW still had an 8-year lease on the facility and accredited it with creating a microbiome that helped to give its products unique flavors and qualities. They believed this would change if distillation were moved to a new facility. In 2020, Dixon estimated that between 70% and 90% of sales would be through wholesale distributions as the company was in discussions with Kroger, the largest grocery chain in the US, and Walmart, the largest general retail outlet in the US, to expand their sales nationally.

The legislative environment was a complicating factor. In the US, distillers are subject to both state and local laws. Indiana law had traditionally required liquor to be sold through distribution, with no opportunity for distillers to sell directly to consumers. In 2018, the Indiana State Legislature passed a law allowing craft distillers to operate on-site retail tasting rooms under an Artisan Distiller's License. This effectively allowed distillers to sell a relatively small volume of their product direct to consumers, resulting in significantly higher margins. Although MWW procured an Artisan Distiller's License to take advantage of this, their priority was to be a distiller first, and retailer second. Between retail and their partnerships with local liquor stores and supermarkets, MWW was operating at the maximum capacity legally allowed by their Artisan Distiller's License. In 2019, they also obtained a Commercial Distiller's License for their completely separate New Heartland line, which they barreled, aged, and blended using spirits distilled by others. Although the company continued to lobby the state legislature, prominent government leaders refused to back changes. They considered the option of procuring a 3-way liquor license that would allow them to continue operating a tasting room under Commercial Distiller's licensure (see Figure1).

[Insert Figure 1 about here]

In early 2020, MWW was poised for growth. There were just 11 employees, but three more had recently onboarded. They had a bevy of aging barrels maturing in their rackhouse. Although most types of whiskey don't legally need to age for a specific period, the team at MWW believed that producing a superior product required time to develop flavor, and the spirits often spent years in the barrel before bottling. Because the whiskey aging process created cash flow issues, Dixon was constantly entertaining related business ideas with a faster turnaround.

Since early on, Dixon had provided consulting services to other distillers on process improvements and logistics. In addition to providing a source of cash, this helped to build relationships and grow the MWW brand. Then the team had another idea: to help with cash flow while also capitalizing on a market trend, MWW had just entered the extremely popular ready-to-drink cocktail category, which incorporated their New Heartlandline and also featured other, non-aged ingredients. It had the potential to create a relatively high amount of revenue for the amount of aged product included. They initially produced two varieties, the Newball, which was reminiscent of the classic cocktail, and Snapshot, which featured ginger and lime soda. At the time of market entry, these were the only ready-to-drink products containing bourbon in the US. Unlike many other alcoholic beverage categories, Mintel reported in their 2019 RTD Alcoholic

Beverages that the ready-to-drink cocktail category was anticipated to grow at a consistent 3% over the next few years.

Used barrel sales provided another small source of cash. US law states that bourbon (MWW's preferred product) must be produced in new, American Oak barrels. However, there is demand for these used barrels among brewers for the additional flavor that aging in the used barrels can impart to their beer. Because of high levels of demand overseas, Dixon used a broker in Australia and typically sold barrels for half of their original cost.

Unfortunately, in early 2020, the COVID-19 virus spread across the United States. The highly infectious disease forced many states to order "shelter in place" restrictions, which limited residents' social interactions. Essential businesses, such as grocery stores (including liquor stores), were permitted to remain open, but bars and restaurants were forced to close in-house dining. Despite the restrictions, sales of spirits (including whiskey) spiked 26.4% (Pershan, 2020).

In accordance with these regulations, MWW's tasting room had turned itself into a carry-out bottle shop for a time, and which kept revenues constant, but also gave Dixon time to look at the empty space and further consider the future. They had developed "Hoosier Hunker Downs", non-alcoholic additives so that people could make their own premium cocktails at home. These were incredibly popular, and they provided a non-aged source of revenue. In terms of the space itself, he knew the 20-seat tasting room was too small to hold events. The Indiana Grown Distillery Trail had just started up, and the attached stillhouse was too small to hold the tours that drew people to locations, grew brand relationship, and created additional revenue (see Figure 2).

[Insert Figure 2 about here]

MWW had recently received an influx of over $1M in funding, with which it looked to reduce risks and grow the brand. Forecasting, which in the past had been seemingly impossible as an early stage, fast growing company with a product that needed to age for an indefinite period, would become increasingly important as Indiana and the rest of the US rebounded from COVID-19. As Dixon pondered how best use the funding to improve their downstream supply chain operations, the team recognized that the speed of this emergence would be paramount in both business to business (B2B) and business to consumer (B2C) channels.

Teaching Note

Learning Objectives

The case examines the business operations of Midwest Whiskey, focusing on the downstream supply chain. This includes examining the risks, efficiencies, and modes of distribution for all of the MWW products, before and during the COVID-19 Pandemic.

Target Courses

Introduction to Operations and Supply Chain Management, both for undergraduate and MBA levels, Restaurant Management Course.

Structure

Due to the complexity of issues involved in the analysis, we suggest that this case should taught after or alongside the introduction of several concepts including:

- Different Components of Supply Chain Management.
    - It is better that students are able to understand what downstream supply chain is.
- Channels of Delivery (B2B vs B2C).
    - It is important that students understand different challenges related to business-to-business and business-to-customers distribution channels
- Supply Chain Risk Management
    - It is preferable that students have at least an overview of supply chain risk management before working with this case.
- Forecast Modeling
    - It is also desirable that students have an understanding of forecasting methods.

There are several different ways that students can prepare to work with the MWW case. First of all, we suggest that they have access to the case before class discussion. Alongside with the case, below are some complementing readings to prepare for the class discussion:

- Bloom Intelligence. (2019). *Restaurant Benchmarks*. Retrieved March 28, 2020 from http://info.bloomintelligence.com/hubfs/Miscellaneous%20Downloads/Restaurant%20Benchmarks.pdf
- Group, M. (2019). *Dark Spirits, US 2019.* Mintel.
- Group, M. (2019). *RTD Alcoholic Beverages, US 2019.* Mintel.

Case Analysis

In this part, we look into differences in needs by channel, supply chain risk analysis, marketing, and brand recognition. The case examines the business operations of MidwestWhiskey, focusing on the downstream supply chain. This includes examining the risks, efficiencies, and modes of distribution for all of the MWW products, before and after the COVID-19 Pandemic.

Because MWW is a growing business, its B2B and B2C channels are highly intertwined. For this reason, the authors of the case have opted not to separate each channel into its own case. Students should consider how their decisions on one channel might affect the other. Additionally, students should put themselves in the mindset of a small business entrepreneur who, in the midst of a potential growth, faces unknown risks from a global pandemic.

Questions of interest include:

1. Considering the downstream supply chain for MWW, where would you suggest Casey invest in the B2B and B2C Channels?
2. Would your answer change had the pandemic not occurred?
3. What risks does MWW have? Why did you choose each?
4. What capabilities, and subsequent actions, can MWW use to mitigate these?
5. What are positives and negatives to investing in a three-way liquor license?
6. What parameters should be taken into consideration in developing a forecasting model?

Table 1 illustrates a possible way to organize the time in class for the case discussion. If you have a larger class or more time, please, consider dividing students in groups of 3 to 5 people, let them share their first impressions and insights among themselves to then share the group's findings with the larger class. We find that this model gives opportunity for the quieter students to feel more comfortable sharing their thoughts.

[Insert Table 1 about here]

The COVID-19 Impact

COVID-19 Risk Analysis

The COVID-19 outbreak created turbulence in most industries, and liquor was no exception. On March 16, 2020, Governor Eric Holcomb mandated that all Indiana bars and restaurants close in-house service to facilitate social distancing and slow the spread of the virus.

This connectivity reduced the demand for alcohol in these establishments, which made up the majority and growing focus of the MWW business.

At the same time, food and beverage providers fell into a category of essential services, which meant they did not have to completely close, but rather had to leverage other avenues to reach their customers. While some restaurant and bar venues chose to completely shutter their doors during this mandate, others chose to offer carry-out options. Despite the restrictions on in-house dining, sales of spirits (including whiskey) spiked 26.4% (Pershan).

COVID-19 Risk Management:

Within 24 hours of the mandate, MWW's retail tasting room completely moved to a carry-out bottle shop which featured their signature spirit line and some food ideas sourced from local suppliers. The customers ordered online and MWW readied their orders for pickup immediately. They also brought the tap room experience to their patrons' living room by offering "Hoosier Hunker Downs" which provided the ingredients for six of their most popular cocktails. The adjusted downstream supply chain design is illustrated on Figure 2

The capability factor of adaptability, evidenced here, has proven to be key to MWW's success. This was coupled with flexibility in manufacturing, as they quickly pivoted to produce and sell their "Hoosier Hunker Downs" product to grow the brand and revenues. As of late March, MWW saw record monthly sales, outpacing their forecast, which was driven by an increased average ticket price. This can be attributed to the old saying, "People drink when times are bad, and people drink when times are good."

While the collective alcohol industry experienced Christmas-level demand during this time, the outbreak will likely impact consumer spending. In the blink of an eye, the unemployment rate rose from a record low of 3.5% in February 2020 to 20.6% in April 2020, the highest it has been since 1934 (Lambert, 2020). As it is unclear how the COVID-19 situation will advance, this number could continue to grow which could see people tightening their spending and seeking cheaper substitutes. Given that the distillery has not seen a drop in sales since the start of the outbreak, this is speculative at this point. Regardless, MWW, with its relatively affordable price points, will likely not suffer in the way of ultra-premium brands.

Connectivity could continue to be an issue, however, as downstream entities in the B2B channel will likely struggle with logistics and may face financial challenges. Since bars and restaurants serve as some of MWW's main channels to the consumer, disruptions in this area could lead to large losses, and it is likely advantageous for them to continue to explore re-directing the distribution channel mix away from bars and restaurants into grocery and package stores.

Distribution Channels

B2B Channel

Before analyzing MWW's risks and strategies, it's important to understand the downstream Business to Business distribution. Investopedia defines B2B distribution as "a form of transaction between businesses, such as one involving a manufacturer and a wholesaler, or a wholesaler and a retailer. Business-to-business refers to business that is conducted between companies, rather than between a company and an individual consumer (Chen, 2020)." For MWW, this means that once it manufactures and bottles its whiskey, it sells most of its products to a licensed distributor, who then sells the products to bars and liquor stores. While both B2B and business-to-consumer (B2C) are important, Dixon emphasized that MWW focuses its sales on B2B channels more than its retail channels (Dixon, 2020, January 30).

B2B Risk Analysis

Pandemic aside, partnering with retail stores, restaurants, and wholesale distributors inherently exposes MWW to connectivity risks. If any of these distribution partners were to go out of business, MWW would lose a substantial source of income. Additionally, Dixon has described the difficulties he's had establishing partnerships with some of the largest liquor stores in the Indianapolis area, who are hesitant to devote limited shelf space to a burgeoning distiller over one that is already established.

Internally, MWW remains concerned about their ability to produce as much as their business partners demand. While the fermentation and distillation processes only take around a week, to be called "straight" bourbon whiskey, the product must age for at least two years; MWW ages some of its varietals up to three years (Dixon, 2020, January 30).

B2B Risk Management

Dixon is not the final distributor for many of his products, as his customers were often restaurants and wholesalers, or retailers. The nature of his customers meant that any adverse shocks that would affect these businesses would put his company at risk. The traditional MWW's downstream supply chain is illustrated on Figure 1.

A major way for Dixon to mitigate some of these risks is to employ dispersion, that is, to diversify his business partnerships. This incorporates developing relationships with as many retailers, restaurants and wholesalers as possible, so that if some struggle, he would be able to maintain some sort of demand.

Additionally, Dixon is managing risk through dispersion by diversifying the company's income streams. MWW is generating cash from the following operations:

1. Consulting
2. Ready-to-drink canned cocktails
3. Selling used barrels

Consulting Services

Dixon explained that his company also takes part in consulting operations for many companies in the spirit fermentation industry. Although this is not the focus of the downstream operations for the business, it serves as a way to maintain cash flow in difficult times, as an addition to direct alcohol sales. He consults on logistics and fermenting processes, helping companies produce better tasting alcohol and establishing better organizational practices. This practice also helps build the MWW brand by establishing Dixon as a knowledgeable industry leader.

While this might seem counterintuitive to success, Dixon feels that the companies he consulted with were not actually 'competition' as they distilled other types of spirits, such as rum, gin, or vodka, and only other whiskey companies counted as a competitive threat.

Given Dixon' adamancy that the spirit industry was incredibly secretive, it might appear peculiar that he would be willing to 'advise' potential competitors on how to run their business more efficiently. Furthermore, had problems of his own, with a lack of space and several 'wasted' hours due to transport.

Employees at MWW were ‘spread thin’. There were just 11 employees (who were also training the three recently onboarded) and they all had very full schedules. The consulting side of the business was arguably shifting focus away from their core business which was specifically the sale of whiskey and whiskey products.

From the beginning of 2020, Dixon realized that he needed to shift focus away from consulting to spend time on a business plan for a ‘new expansion’ in the new decade, unless he finds a way to use this as a means to strengthen the MWW brand.

New HeartlandReady-to-Drink Canned Cocktails

Breaking into an ‘under-served’ ready-to-drink industry is likely key to diversification. They have a differentiated product, as they’re the only producer of a Bourbon-based ready-to-drink beverage in the US. The potential of the drink is evidenced by the interest of two major retailers in carrying the beverage nationwide.

Barrel Sales

MWW is attempting to gain additional revenue by selling their used barrels to other businesses. The used barrels cannot be reused to make bourbon, MWW’s preferred product, as US law states that bourbon whiskey must be made in new, American Oak barrels (27 CFR § 5.22 - The standards of identity, n.d.*)*. Because of this, Dixon uses a broker in Australia to find buyers for the barrels, as there is not as much demand for them in the US, where bourbon originates. He also mentioned that he sells the barrels at around 50% of their original price, therefore recouping some of his costs.

Selling barrels was a very non-intensive activity for the company, as it was a use of their leftovers. It was a great opportunity for Dixon to maximize his revenue and it didn't take much time out of any of their employees' schedules. Dixon doesn't account for the barrel sales when he plans a budget and viewed this operation as a convenient recession-proof surplus of cash, as the company had no problem selling barrels, even during the COVID-19 crisis.

B2C Channel

B2C Risk Analysis

Like any young business, MWW feels pressure to protect their downstream operations, including in retail. B2C retail operations represented 48% of their 2019 revenues, but are projected between 10% and 30% of their future revenues, based on new product launches and national retail opportunities (Dixon, 2020, February 25).

There are certainly some risks that MWW will experience downstream that could leave the company exposed financially, especially when taking into consideration the potential time lag in accounts receivable. The early part of 2020 gave the company a great insight into the potential demand-side risks downstream.

B2C Risk Management

MWW uses several risk management techniques to mitigate loses in the event of any unforeseen disruptions. The risk management techniques MWW leveraged very well are more of a tribute to their business model rather than a pure risk management strategy: these are their adaptability and market positioning (Fiksel, Polyviou, Croxton, & Pettit, 2015). [1]

Market positioning has always remained a north star for the distillery, as MWW has always honed on catering to their needs of their target market, millennials. As they site in their website, they are "hellbent on creating great whiskey and paying homage to Indiana's rich distilling history." Furthermore, the owners of MWW had the moonshot goal of being the premium whiskey of the Midwest for millennials. They stay true to this narrative in providing a certain level of transparency to their operations and supply strategy. Even if a long-term economic downturn ensues, millennials are conscious of where they spend their money. In the Deloitte 2019 Millennial Survey, 42% of millennials site that they start or maintain a relationship with a company based on its positive impact on the environment or society, and the Indiana grain to glass ethos plays well with this and creates product differentiation over other whiskeys.

Consumers of MWW remain privy to this product journey through their strong communication efforts via social media platforms like Instagram (Midwest Whiskey Co., 2020) and their website. They bring a personal touch to all they do from the perfection placed into their brewing, their selectiveness in suppliers, and the personal stories behind their product names.

Looking at a broader market scale, Mintel states in their December 2019 US Dark Spirits report that 78% of spirit drinkers make their own cocktails at home with a keen focus on recreating their favorite restaurant or bar cocktails, an argument for continuation of the Hoosier Hunker Downs(Mintel, 2019). With this, there is an emphasis on quality which MWW can offer,

[1] As defined in the SCRAM model created by Fiksel, Polyvious, Croxton, & Pettit, adaptability is defined as the ability to modify operations in response to challenges or opportunities. Market positioning is defined as status of a company or its products in specific markets.

perhaps more so than larger whiskey distillers. Consumers of MWW remain updated on their local and environmental impacts through their strong communication efforts via social media platforms (Midwest Whiskey Co. 2020), which showcase their transparency in operations.

Adaptability is a capability of many small companies, and keeping it alive as a company grows should be an area of focus. This adaptability allows them to create new consumer favorites such as their ready-to-drink line and the Hoosier Hunker Downs. Surveying customers for flavor trends for future expansions, particularly in the ready-to-drink line, could be of huge benefit.

Current vs. Expanded Retail Opportunities

Artisan vs. Commercial Distilling Licenses

Although business to consumer retail sales, which take place through MWW's tasting room, are a relatively small portion of their overall revenue, it continues to be a very popular and profitable part of the business. The metrics of revenue per seat and labor per sales were dramatically above retail industry benchmarks. Unlike the B2B channel, there was no mark-up for distribution, and variable costs were extremely low.

The tasting room operates at capacity most days of the week, while having the added benefit of raising brand awareness. However, operating under an Artisan Distiller's License is what allows for direct B2C sales, and MWW is currently producing to the maximum capacity allowed. To circumvent this, MWW is considering the option of terminating their Artisan Distiller's License and operating only as a Commercial Distiller, which they have experience with under their separate New Heartland operations.

If they choose to operate solely as a Commercial Distiller, MWW could continue to offer a tasting room, either on-premise with the stillhouse, or at a larger space elsewhere, by acquiring a 3-way liquor license. This would allow them to retail wine, beer and whiskey (both theirs and other producers') under a more traditional bar-style arrangement. The requirement to re-purchase their own product from distributors for retail in this scenario is a possibility, as it is in a legal gray area. They estimate that the cost to purchase a liquor license would be approximately $50,000 in Indianapolis. This figure could reduce as the COVID-19 pandemic continues, forcing cash-strapped restauranteurs and bar owners out of business.

Even without financials available, the break-even case for a 3-way liquor permit at a $50,000 value may be completed based on a number of assumptions, which are taken into consideration in the analysis.

Projected Tasting Room Financials and Break-Even Analysis:

<u>**Existing Conditions**</u>

<u>Approximate Revenue:</u>

Due to extremely low variable costs, assume revenue = gross profit.

Cocktail Revenue:

20 seat venue x 2 turnovers a night x 2 drinks pp x $5/drink x 6 days x 52 weeks/year = $124,800/yr

Carry-out Revenue:

Assume 1 in 8 customers per night purchase a carry-out bottle:

5 bottles/night x $35/bottle x 6 days x 52 weeks/year = $54,600/yr

<u>Costs:</u>

Assume the building and utility costs are included in the processing of the whiskey and not part of the question of procuring a liquor license. Glassware/buildout are sunk costs.

Staff Costs:

Based on an hourly wage given in Indeed (2019):

Bartenders at 40 hours/wk at $11/hr for 52 weeks/year = $22,800

Cleaning, Maintenance, and Other Incidental Costs:

Assume $100/day of operation x 6 days x 52 weeks/year = $31,200

<u>Net Profit</u>:

Annual Gross Profit – Costs = ($124,800 + $54,600) - ($22,800 + $31,200) = $125,400 + unquantified market position and advertising benefits.

<u>Possible Future Condition: Tasting Room without an Artisan Distiller's License</u>

Benefits include allowing MWW to grow overall in both B2B and B2C, offer other products, and possibly move the tasting room off-site in the future years to a larger and more visible facility, which could increase both overall revenue and advertising benefit. Assume revenue is equal as they are operating at capacity.

<u>Increased Costs in Commercial Condition:</u>

Using the restaurant benchmark (Bloom 2019) of liquor costs being 18-20% of sales revenue, assuming MWW will be required to purchase spirits through distillers, would increase costs by: 0.2 x ($124,800 + $54,600) = $35,880/yr

<u>Net Profit</u>:

Annual Gross Profit – Costs = ($124,800 + $54,600) - ($22,800 + $31,200 + $35,880) = $89,520 + unquantified market position and advertising benefit.

Break-even Analysis

Because the tasting room is operating near capacity, assume no increase in revenue is possible from that channel. In line with the liquor costs above, assume MWW will now consistently make 20% of the $35/bottle retail price, placing contribution margin at $7/bottle.

Break-even volume (annual sales increase) = $35,880/$7 = 5,125 bottles (428 cases)

Break-even volume (one-time liquor license) = $50,000/$7 = 7,142 bottles (596 cases)

Late 2018 expansions left MWW with a total capacity of 43,000 cases per year and an actual production of 18,000 cases per year (IBJ Staff 2018), and so the breakeven analysis renders the one-time cost of a 3-way liquor license, as well as the required annual sales increase, well within the realm of possibility and increased profitability. More importantly, this allows them to produce an unlimited quantity for both channels under the in-house distilled MWW line and opens the door to other options in the future.

If the retail business moves forward under a 3-way Liquor License, product stewardship will be increasingly important. The business will also be more susceptible to connectivity in a completely new way, as MWW would likely no longer be the only products being sold, and margins on all products may be lower if they're forced to buy their own as well as competitors' products through distribution. Technologies for tracking input usages could be helpful in maximizing margins. Additionally, tracking popularity of their offerings versus other brands and types of alcoholic beverages could help to provide anticipation and allow them to spot trends early and adjust production or product offerings in their ready-to-drink categories.

Should MWW choose to relocate the tasting room at some point down the line, a variety of demographic information related to the whiskey and ready-to-drink sectors could be evaluated. Mintel (2019) reports that dark spirit consumers tend to be male, relatively wealthy, and older than the average. However, the introduction of the ready-to-drink canned cocktails may help combat this, as consumers of the similarly positioned hard seltzers tend to be younger, with 40% between the ages of 25 and 34. Additionally, pre-mixed cocktail consumers skew female at 55%, and consumers between the ages of 35-44 report high interest in this product type.

Other, more abstract factors could also be considered. One example is the walkability score of the location in question. The ability of consumers to walk to the location could compliment the local nature of MWW and build strong brand ambassadorship for it among the locals, helping to enhance market position. To stay focused on their emphasis towards commercial growth, it would be important that the scaling of retail space be kept to a correspondingly lower percentage of their total sales to mitigate the risk that can come with retail.

Creative Marketing

In the B2C space, marketing is currently somewhat limited by their licensing, as such items as partnerships with other local brewers, vintners, and distillers are limited by their lack of legal ability to sell these goods. However, with experience gained from their Hoosier Hunker Downs, MWW now has an opportunity to offer premium mixers on a longer-term basis. As mentioned previously, premium mixers have been a trend in the industry, with 78% of spirit drinkers reporting they make cocktails at home, and 30% of those buying premium cocktail ingredients (Mintel, 2019). While mixers aren't a part of MWW's core business, they could be made available through distribution, and allow for partnerships with others producing various types alcohol under craft licenses, as well as non-liquor selling local gift outlets, such as A Taste of Indiana, producing higher product visibility and driving sales.

While the gift sets present some packaging challenges, they represent a great opportunity for MWW enthusiasts to share the products, resulting in even more loyal followers. Expanding the gift sets to wholesale distributors is not out of the question. Gift sets are regularly available in retail outlets and become even more widely distributed during the holidays. Whether a large national retailer, such as Walmart or Kroger would opt to carry gift sets from a small distiller, in place of the gift sets from well-established brands, such as Jim Beam and Jack Daniels, remains to be seen. Also, while considering the potential for adding gift sets and mixers long-term, Dixon questions how these incentives would align with the overall company goal of being Indiana from grain to glass, as the ingredients were sourced elsewhere.

At present, in the B2B Channel, MWW offers bulk discounts for new wholesalers on a monthly and quarterly basis. According to Dixon, "straight volume incentives don't work as one distributor may have competing interests as they may also distribute more well-known products whose volume goals are easier to hit." As the company expands its wholesale distribution in 2020, Dixon is exploring ways to attract new distributors and partners.

Indy, like most large metropolitan areas, has a strong following of both popular local chefs and bartenders, and partnerships with them are options that could overlap both the B2B and B2C space. In the past, MWW has partnered with Gallery Pastry Shop to do a pop-up brunch event. This could grow to encompass more partnerships on a regular basis, including simply being listed as pairings with menu items to drive interest. Additionally, in some cases these restauranteurs have outlets in other states, which could help grow the brand and create demand as MWW looks to expand. Similarly, local mixologists could be incentivized to develop cocktails featuring MWW, which could be used both in the tasting room and in the venues where they work.

Many states have their own famous locally produced spirit and beer pairings. Currently, MWW has a partnership with Bloomington's Upland Brewing Company to highlight the "Hoosier Maker" drink pairing, which is Upland's Champagne Velvet Beer with the New Heartland product that MWW produces under a Commercial Distiller's License using spirits distilled by others. Procuring a 3-way liquor license would allow for the growth of this partnership by allowing Champagne Velvet and New Heartland to be sold at the tasting room.

Offering tours of the distilling process has become a very popular way to build customer relationship throughout the whiskey industry. In neighboring Kentucky, the Kentucky Bourbon Trail and Kentucky Bourbon Trail Craft Tour drew over 1.7 million visitors in 2019, with 70% of visitors being from out of Kentucky, and all visitors in general spending between $400 and $1200 on average during their trip (Kentucky Bourbon Quick Shots, 2020). While other aspects of the tourism industry, such as hotels, capture a high proportion of this, the visitors undoubtedly also generate appreciable revenue through tours and carry-out sales, as tours typically range between $5 and $20 per person. Brand loyalty and awareness are also generated as visitors take their experiences back to their home states and countries.

A challenge here is that Dixon described the Indianapolis whiskey industry as "secretive" and noted that attempts to form a distiller's guild were met with contention, which could make the cooperation necessary to grow a similar tourism attraction difficult. That being said, in 2020, there were 31 distillers across the state of Indiana, 14 of which are less than fifty miles from

MWW's tasting room. The American Craft Spirits Association recognizes 37 independent distillers' associations across the US, indicating that distillers in many geographies have found ways to work through these differences, and possibly reviewing their experiences would provide roadmaps to do so.

With Indianapolis being just over one hundred miles from Louisville, the opportunity exists to tie into the Kentucky tourism industry to support the relatively new Indianapolis craft whiskey market. In February 2020, Indiana Grown, an agritourism organization created by the State Department of Agriculture, announced the Indiana Distillery Trail, a collection of Indiana-based distilleries intended to mimic the Kentucky Bourbon Trail. The Indiana Distillery Trail includes whiskey distillers along with other types of spirit distillers. Despite the advent of the Distillery Trail, the local whiskey businesses have remained divided.

MWW currently has a strong social media presence. They post on Twitter, Instagram, and Facebook, though not at regular intervals, and have a handful of videos on their YouTube channel. The frequency seems to increase dramatically around events, or simply when someone has time. The posts are on-brand and professional looking, and MWW would benefit from them being placed at more regular intervals to keep in front of consumers in this substitute-heavy market.

While MWW's "Indiana from grain to glass" philosophy, which has led them to procure corn from a single provider, may open them to risk of disruption on the upstream end of the supply chain, it also provides a huge opportunity to build their brand relationship with consumers. Since the early 2000's, agritourism has skyrocketed, demonstrating consumers' curiosity in how comestibles are produced and sourced. While setting up a full-blown agritourism operation would be extremely costly and outside of MWW's core business, there are other ways to capitalize, and creating a portion of their website and social media for Virtual Agritourism would be one. Farm operations, particularly corn harvesting, which often take place during the peak fall leaf season and also through the night, can produce very compelling photographs and videos. Also, every farmer has a story. While that story was once a common one, the decrease in number of family farms in the United States now makes it unusual and fascinating to a growing number of the population. Given MWW's strong relationship with their corn supplier, producing something as simple as YouTube videos showing where the grain is produced, literally taking the process from seed to grain to glass, and/or telling the story of the farm, could create differentiation and have real impacts to a customer's brand relationship.

Forecast Parameters

In a Normal/Healthy Economy

According to Mintel, from 2014-2018, although overall per capita alcohol consumption has been steady, on-premise spirit sales had been on an uphill trend, increasing 10.7% from 2014 to 2018. This growth, along with the overall American whiskey/bourbon growth of better than 25% in the same time period, should be taken into account when forecasting.

Regression analysis could be used to forecast retail sales based on a variety of factors given historical data. Month or season, outside temperature, day of the week, holidays, new product releases, and tourism events, such as the Big 10 Tournament or GenCon, could all be examined in hindsight given day-by-day retail sales data to produce future forecasts.

Using regression to model demand based on historical data could be extremely helpful in predicting what the future might look like, even if the new normal is dramatically different.

Post-COVID 19: Surge of Business or Slow Return

Evaluating forecast parameters under previous conditions could be extremely helpful in predicting business levels post-COVID 19, regardless of what this new reality looks like, in the forecasting of possible min/max levels. If consumers crave interaction and experiences after limitations are lifted, the surge of business could be compared to a tourism event with other parameters held equal. On the other hand, if the effects of the event lead consumers to become less apt to leave home in general, or if the economy continues to greatly impact consumers' expendable income, the model may be adjusted to the historically slowest month or season, again with all other parameters held equal. In addition to simply projecting volume of spirit sales, this could be used to help project retail staffing levels as well as purchases of mixers and other menu items.

Whether the economy will surge once the COVID-19 restrictions are removed remains unknown. It's possible that the economy will return to a healthy state almost immediately. This would mean that MWW's tasting room would, once again, see a booming business. Additionally, this would mean that people would flock to restaurants once again, thereby increasing the company's distribution to restaurants. However, with the number of people who have been laid off during the pandemic, it's also possible that the economy will have a slow resurgence. In this case, MWW will need to continue pushing its wholesale distribution so that it can continue selling to liquor stores and other retailers.

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FIGURES

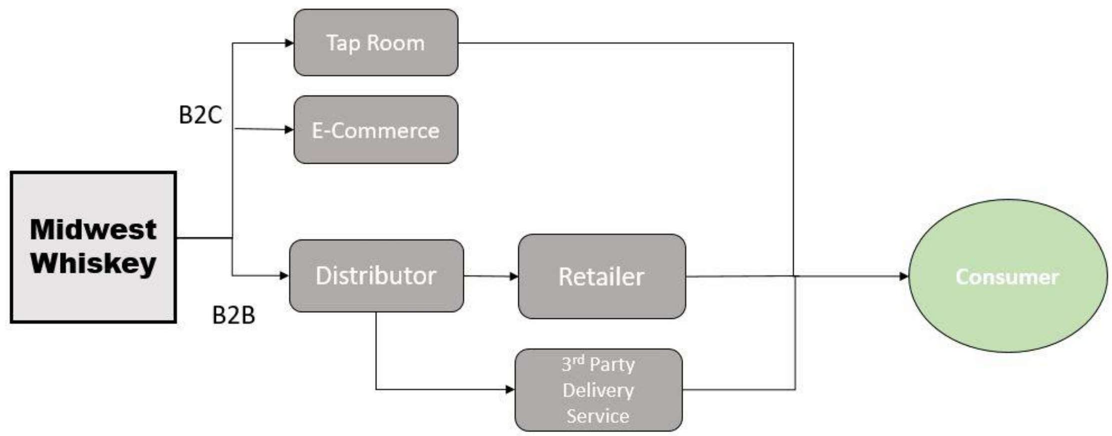

Figure 1: MWW's traditional downstream supply chain

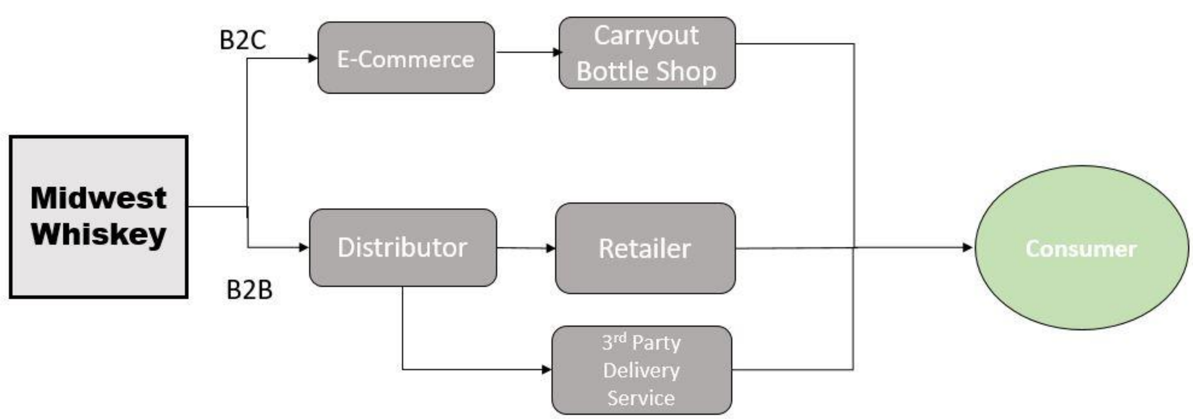

Figure 2: MWW's COVID-19 adjusted downstream supply chain

TABLES

Discussion Point	**For a 60 minute class**	**Time (Minutes)**	**For a 90 minute class**
Introduction	Talk about the case and students first impressions and initial insights	10	Separate students in groups of 3 to 5. Let them discuss their first impressions and insigths among themselves. Bring groups back and have them sharing their findings with the class.
Distribution Channels	Considering the downstream supply chain for MWW, where would you suggest Casey invest in the B2B and B2C Channels? Why?	10	In groups discussion and then overall sharing.
	Would your answer change had the pandemic not occurred?	5	In groups discussion and then overall sharing.
Supply Chain Risk Management	What risks does MWW have? Why did you choose each?	5	In groups discussion and then overall sharing.
	What capabilities, and subsequent actions, can MWW use to mitigate these?	10	In groups discussion and then overall sharing.
Demand Forecasting	What are positives and negatives to investing in a three-way liquor license?	5	In groups discussion and then overall sharing.
	What parameters should be taken into consideration in developing a forecasting model?	5	In groups discussion and then overall sharing.
Wrap-up	Overall leaning	10	Overall leaning
Total time (in minutes)		**60**	

Table 1: MWW's Teaching Plan – time allocation