



Forecasting Sales at Ska Brewing Company

MATTHEW J. DRAKE

with Eric Huggins, Fort Lewis College

PEARSON CASES IN SUPPLY CHAIN MANAGEMENT AND ANALYTICS

The case is reprinted from
The Applied Business Analytics Casebook
by Matthew J. Drake

Forecasting Sales at Ska Brewing Company

Matthew J. Drake
with
Eric Huggins, Fort Lewis College

Vice President, Publisher: Tim Moore
Associate Publisher and Director of Marketing: Amy Neidlinger
Executive Editor: Jeanne Glasser Levine
Operations Specialist: Jodi Kemper
Managing Editor: Kristy Hart
Project Editor: Andy Beaster
Compositor: Nonie Ratcliff
Manufacturing Buyer: Dan Uhrig

© 2014 by Matthew J. Drake

Publishing as Pearson

Upper Saddle River, New Jersey 07458

Pearson offers excellent discounts on this book when ordered in quantity for bulk purchases or special sales. For more information, please contact U.S. Corporate and Government Sales, 1-800-382-3419, corpsales@pearsontechgroup.com. For sales outside the U.S., please contact International Sales at international@pearsoned.com.

Company and product names mentioned herein are the trademarks or registered trademarks of their respective owners.

All rights reserved. No part of this book may be reproduced, in any form or by any means, without permission in writing from the publisher.

ISBN-10: 0-13-382220-6

ISBN-13: 978-0-13-382220-5

Pearson Education LTD.

Pearson Education Australia PTY, Limited.

Pearson Education Singapore, Pte. Ltd.

Pearson Education Asia, Ltd.

Pearson Education Canada, Ltd.

Pearson Educación de Mexico, S.A. de C.V.

Pearson Education—Japan

Pearson Education Malaysia, Pte. Ltd.

Reprinted from *The Applied Business Analytics Casebook: Applications in Supply Chain Management, Operations Management, and Operations Research* (ISBN: 9780133407365) by Matthew J. Drake, Ph.D., CFPIM

Forecasting Sales at Ska Brewing Company

Eric Huggins, Fort Lewis College

Background

Ska Brewing Company is a purveyor of fine craft beers located in Durango, Colorado. With its flagships Pinstripe Red Ale and True Blonde Ale, medal-winning Buster Nut Brown Ale and Steel Toe Stout, and seasonal Mexican Logger and Euphoria Pale Ale, Ska has enjoyed double-digit growth for more than a decade with no signs of slowing down. Learn more about Ska by visiting its tasting room at 225 Girard Street, Durango, Colorado, or online.¹

In the early '90s, founders/owners Dave and Bill were dissatisfied with watered-down corporate beer and decided to take matters into their own hands, literally. They began brewing their own beer in their basement, much to the delight of everyone who knew them. Eventually, it became clear that they might be able to make a living doing what they loved to do, and they founded Ska Brewing Company in 1995 with third owner/founder Matt. Through hard work and a laser-like focus on brewing great beer, Ska continued to grow, and in 2008

¹ <http://www.skabrewing.com/>

the company moved into its \$4.8 million, 24,000-square-foot world headquarters. In 2012, Ska brewed more than 25,000 barrels of beer (1 barrel = 2 standard kegs = 252 pints = 4,032 ounces), with sales exceeding \$6.5 million.

Ska was not alone in its success. Durango, a town with fewer than 20,000 people, has four long-term successful breweries/brewpubs, a brand new brewpub that opened in 2012, and another one in the works. Rather than considering these other breweries as competition, Ska has worked together with them (as well as others across the state of Colorado) to brew specialty beers for festivals and other occasions; Ska also contract brews beer for Steamworks Brewing Company (using its recipes) because Steamworks has exceeded its own brewing capacity. Owner Dave calls this unique relationship “coopitition.” Steamworks and Ska are just examples, however.

The craft brewing industry has seen phenomenal growth during the last three decades across the United States and in other countries as well. According to the Brewers Association,² the craft brewing renaissance started in the late 1970s and saw periods of incredible growth during the 1990s. Historically, before Prohibition, small breweries were everywhere across the United States; the 18th Amendment caused most of the small breweries to go out of business, and only the larger breweries survived until the 21st Amendment repealed Prohibition 13 years later. It took several decades for smaller breweries to begin the resurgence that we see today.

But our concern is more specific: Will the growth and success at Ska continue? Can Ska anticipate how much beer it will produce, and what sales will be so that the company can plan wisely for the future? In fact, current plans are to increase brewing capacity yet again—a costly investment with potentially high returns. Is this a good decision or not? This is where *you* come in.

² <http://www.brewersassociation.org/pages/about-us/history-of-craft-brewing>