

NOTES FOR A LUNCHEON ADDRESS

BY

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TO THE
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Thank you very much, and good afternoon, everyone. I'm very happy to be here in Toronto. Even happier to be a guest of the Canadian Club. Today I'm going to talk about a Maritime tradition which has nothing to do with fish, the Fundy Tides or transfer payments. I am going to tell about Moosehead - my family's beer.

There are three things I'd like to mention right off the top. Grain. Yeast. Water.

Those ingredients are all you need to make bread. And give or take a few hops, they're all you need to make beer.

A hundred and thirty years ago, in Dartmouth, Nova Scotia, my great great grandmother Susannah Oland thought about the biblical saying that "one cannot live by bread alone." She took grain, yeast and water and instead of baking bread, she brewed a vat of brown October ale in her backyard. Her ale was popular with everyone in the neighbourhood, which had (and still has) the name "Turtle Grove". Susannah and her husband John went into the brewing business then and there.

And today, six generations later, our family beer is still popular. In the Maritimes, in Canada and beyond. Well beyond. Look for Moosehead beer in Australia, Great Britain, Sweden, Norway, Finland, Japan, Hong Kong, Northern Ireland and the Republic of Ireland - and you'll find it.

In the intervening decades, there were challenges and set backs. A scant five years into their business venture, Susannah's husband was killed in a riding accident, leaving her with seven children, five of them still at home. But the business grew, with the elder Oland sons pitching in. Not long after, the business burned down. They rebuilt. Then another fire, another new building. In 1917 the Halifax explosion levelled it. They rebuilt. Prohibition came, and that didn't really help things along. But the family survived. The Great Depression arrived. Again, they pulled through. There have been takeover bids, relocations, and there has been all the white-hot competition that drives the brewing business. But we're still here.

We're not the biggest brewery in Canada, not by any means. But one by one, all the larger Canadian breweries have been acquired by outside interests. Moosehead Breweries is now the biggest Canadian-owned brewery. We're also the oldest independent brewery in the country. We're still very much a family business. I'd like to tell you why we keep going and how we keep growing.

Today, though we have a base of operations in Dartmouth, not far from the legendary Turtle Grove, our main operation is in Saint John, New Brunswick, where most of our 350 employees work. We make 13 different brands in all, and we sell just under 50 per cent of all the beer in the Maritimes.

As I say, unlike Susannah and John, we do business in many markets. But our greatest success in exporting has stemmed from our entry into the United States.

Our decision to enter the U.S. market in 1977 was pivotal.

We looked at the Canadian market which consumed roughly 20 million hectolitres of beer a year. In other words, about 960 million six-packs. But we also saw interprovincial trade barriers that required a brewer to have production facilities within a province, in order to obtain the most favourable trading conditions. Obviously a limiting factor for a small, privately-owned brewery like ours and we simply didn't have the capital to break into those domestic markets to the west.

So we looked south. What we saw was a country with a beer market that was ten times the size of the domestic Canadian market. But we also saw a new phenomenon - a dramatic growth in the sales of imported beers.

We used the first principle of moving into a new market - monitor and research market trends and enter a growth segment. We tracked the sector relentlessly. We researched thoroughly and we liked everything we saw. So we moved on our conviction that there was room for our beer in American coolers.

The second principle is: you have to get your product "right" for the market so we needed to develop all the key elements for a solid brand strategy - product, price, positioning and distribution that would work specifically for the U.S. market. This doesn't mean that we made major changes to an already successful product. But it was necessary to meet the market's specific requirements through small modifications.

Next packaging. All Canadian beer at that time was sold in the squat brown bottle - the absolutely unlovely "stubby". Not a very "sexy" package. In order to get the premium price we needed, we had to develop a more elegant, a more appealing bottle containing a full 12 fluid ounces (you may not know that the fluid ounce is bigger than the imperial ounce) and all imports were labelled 11 1/2 ounces) We also needed an eye catching six pack carrier and outer carton. We had to put a container in front of the consumer that said, "Hey! Here's something new and different. Something that came down from Canada along with the famous cold fronts your American forecasters keep talking about. Something you're going to like drinking, and look good drinking it."

Principle three: "a premium price for a premium product." We looked at Molson on the low end of the imported beer market, and Heineken at the top end, and we priced our product halfway between. I'll admit we were a bit nervous and it took some guts. But the decision paid off. Today Moosehead Canadian Lager is still at that same price bracket and commands a 50 percent premium over the price of U.S. domestic beers.

There was also some distribution bureaucracy to overcome. In the United States, beer is distributed by independent distributors who only handle those products they believe will be profitable since there are 500 brands of imported beer in the U.S. market. It's pretty hard to grab a distributor's attention in that kind of a crowd.

And to compound the matter, there are regulations that forbid shipping beer to a distributor, even as a sample, without government approval - separate approval required from each different state, I might add.

Well, they say you can't fight city hall, much less state governments. So we didn't fight, we did an end run instead. We packed up our beautiful bottles, with the nifty caps and their eye-catching labels, in their distinctive cartons, and sent them off to the distributors we most wanted to handle our brand. The bottles got there without a hitch. How? Because they were empty! No beer in them. We were banking on the fact that the distributors would find our brand name interesting and the packaging attractive, and that natural curiosity would do the rest.

Did our off-beat strategy work? Did it ever!

Distributors got back to us in a big hurry, most of them wanting to know how they could order and represent the brand.

And that brings me to the fourth and most important principle we followed: correct brand positioning. Very early in our development of the plan for the label and package, we had evolved a strategy based on the good feelings Americans have for Canada and for Canadian beer in particular.

Our package virtually shouts that Moosehead stands for all those positive images. The Northern wilderness. Clean water and green forests. That clear, cold air that sweeps down from the north. I think it goes without saying that cold goes with beer like warm goes with fresh home made bread.

We believe that our package with its distinctive green bottles says Canada better than any other brand. It's Canada's premium lager. That was our message, it worked for us, and we're sticking with it.

The fifth principle we followed was to secure and develop relationships with strong distribution partners. We drew the attention of many potential distributors with our empty-bottle ploy, but that was only step one. A lot of hard work followed. We sell in every state in the U.S., New York to California, Alaska to Hawaii. That involves no fewer than 600 distributors.

One thing that helped our credibility was when All Brand Importers, a large, well respected company based in New York City, agreed to become our American importer. We now deal with Guinness Import Company of America which purchased All Brand a couple of years ago. Needless to say, the Guinness name doesn't hurt either.

The sixth and final principle we used, in moving into the export business, was maintaining consistency in graphics and advertising. Changes in design and labelling do become necessary from time to time, for various reasons. But we used a very delicate hand indeed. And we are careful to maintain quality and consistency in the way we advertise, both at the consumer level and in terms of trade publicity.

So what did our six principles do for us as we "invaded" the United States? Let me give you some numbers.

In the first year we had hoped to sell 100,000 cases. We very nearly doubled that. But the next year was incredible - we sold 800,000 cases of Moosehead in the new export market.

And we didn't stop there. We now sell millions of cases, and rank eleventh among the top selling imported brands in the U.S.

And what got us there was nothing more (and nothing less) than the six principles we stuck to. Monitor and research market trends and enter a growth segment. Get the product right for the market. A premium price for a premium product. Position the brand correctly. Create strong distribution partners. And maintain consistency in graphics and advertising.

As I suggested earlier, the story doesn't end there. There's nothing like capturing a nice bit of American business to start you looking at the rest of the world. Part of it's the credibility that brings you. Part of it's the confidence it gives you. As Frank Sinatra puts it, "If we can make it there, we'll make it anywhere."

We took a deep breath and moved into the exciting arena of truly global trade.

In 1985 we moved into Great Britain. Our present distributor, Maison Caurette, likes the idea of an authentic Canadian product with an appeal quite different from that of shelf-temperature bitter or lager 'n' lime.

Competition is really tough in the U.K. where over 50 per cent of the beer sold consists of premium lagers but we are making progress.

Our Australian involvement traces back to our co-sponsorship of Canada's entry into the America's Cup race of 1986. We piqued the interest of the Foster Brewing Group and their import and distribution arm now handles Moosehead "Down Under".

In 1993 Moosehead was launched in Sweden, where initial sales tripled our forecast. The Oland family had returned to its origins as the forefathers of John James Dunn Oland came from the Swedish Island of Öland in the 14th Century.

Later that year we launched Moosehead in two more Scandinavian countries, Norway and Finland. Boulevard Beverage Company, distributes our product to all licensees and restaurants in Norway, and we show up in most grocery stores as well.

And you can be sure that we had a strong presence at the 1994 Winter Olympics just as we did the America's Cup. Moosehead was available to everyone in Lillehammer, not forgetting our own Canadian athletic teams.

In Finland, our beer is sold through the government controlled liquor system. Finland has since become a member of the EEC and is required to open up its distribution channels. We are hopeful that this will be good for sales.

In 1993 we launched in Japan, after a three-year search for the right distributor. And in 1994 we went into Hong Kong. They're both very interesting markets, to say the least.

Once again the Canadian image of fresh air and clean water worked in our favour and was a big selling point in places like Hong Kong and the cities of Japan. Places where pollution and crowding are of serious concern, and clear, clean space is luxury.

The Moose itself is another matter. It's about as exotic a creature in the Far East as the dragon is here in Canada - perhaps even a bit more so.

I'm told that the phrase most used by Asians who see the noble nose and the spread of antlers on our label, roughly translates as "what the hell is that thing?" The Chinese don't even have a word or a symbol for moose. The closest they come to it is "snow deer" and Snow Deer Head Beer doesn't really have the same ring to it.

Nonetheless, the Moose is definitely loose in Japan and Hong Kong, and in market terms it's a pretty big moose pasture. Hong Kong itself has a population of six million. And as everyone recognizes, it's the gateway to the Chinese market, with a billion potential buyers.

North American expatriates are the advanced guard in our push into the Hong Kong market. Their awareness of our brand is really quite high, and we're counting on them to plant the seed for us.

There's a whole world of opportunity out there, and we continue to go after it with a good deal of optimism. We're always looking at other markets in the Asia Pacific region, and in continental Europe as well.

While our export drive was going on we were also focusing on the Canadian market beyond the Maritimes. Many of the old interprovincial trade barriers were starting to come down so in May of 1992 we launched Moosehead in Ontario and British Columbia with the slogan "now imported from Canada." In July of that year we added Alberta and Newfoundland.

In the spring of 1993 we entered the Manitoba market. At the moment we do not sell in Quebec or Saskatchewan but one day we hope to.

In 1991, in order to have our own sales and distribution arm across Canada Moosehead purchased The Premium Beer Company. PBC employs 53 people in various parts of Canada, and it's headquartered in Mississauga. I want to tell you, it's great, as a Maritime company, to be able to make a positive impact on the Ontario job market! The Premium Beer Company, by the way, is an importer as well. It brings a number of specialty beer including Beck's packaged and draught and cider brands to this country.

Our presence in the national and international marketplace is something that's important to us in more ways than dollars and cents. But we never have forgotten, and never will forget, where and how we started. We're an independent company with deep and permanent roots in the Maritimes. Six generations as a family owned company. Still small enough to think of our employees as family. But widely-enough known to have some influence on how other Canadians think of the Maritimes. And how other countries think about Canada.

We care about how people perceive us. The term "corporate citizenship" is one that has probably seen its day - and one that, to me, seems a little contrived. I simply prefer to think of our company as one of the many that make Canada what it is by "putting something back". We believe in things like university scholarships, community-league baseball and hockey, local charities and cultural events. And we put a share of our profits behind those beliefs. Winston Churchill once said, "We make a living by what we get, but we make a life by what we give."

We like to think that when people see the moose with the big head and antlers, they will sense a big heart as well. In any event, we depend on the moose, our company's symbol of strength and stature, to make friends for us. And we use it in more ways than one. You may have seen Moosehead beer on television shows including Northern Exposure and Saturday Night Live. You may have seen it in cameo roles in several Hollywood films. And, if you're a John Grisham fan, you've read about it in two of his novels, The Firm and the Pelican Brief.

In the late 1900's there was a schoolteacher in Cape Breton who was fond of writing essays and pamphlets. His name was James D. Gillis, and his readers often found unintended humour in his turn of phrase. A favourite example is when he wrote, "I have been twice to Boston. I do not say this by way of boast."

I hope you will accept that nothing I have said about Moosehead going to Boston - or Helsinki, Tokyo, Hong Kong and other far-flung locales - has been said "by way of boast".

But I do hope you agree that some grain, some yeast and some water, along with some hops, some imagination, some hard work and resilience, and some luck, can take a small company a long way.

I also hope that the next time you have an ice-cold glass of Moosehead beer in your hand (and I hope that'll be soon) you'll recall its origins and in particular my great-great grandmother Susannah and her fine brown October ale.

Thank you for your attention.