How Mobile Apps Can Disrupt the Bar Experience of the 21st Century: A Landscape Report

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Mobile Apps Disrupt Industries

2007
iPhone

2009-?
Payments

2010-?
Communication

Exercise
2008

Transportation
2009-?

Education
2012-?
The 21st Century Bar Experience

The bar experience has not changed fundamentally for over 100 years.

**Hypothesis:** The wide adoption of Mobile Apps represents potential for a fundamental shift.
Outline: A Landscape Analysis

1. Current Bar Industry Landscape

2. Areas of Change & Challenges for Mobile Applications in the Bar Space

3. Opportunities & Existing Companies
PART I: Current Bar Industry Landscape
Bar & Nightclub Industry

65,000+ Bars in the US

30M People visit bars per month

Market size was $25B

Data from Statistica
Industry Landscape

Customers

Bar

Manufacturers

Distributors

Our Focus!
PART II: Areas of Change & Challenges for Mobile Apps in the Bar Space
Potential App Functionality

Manage Your Tab

Recommend Drinks

Cocktail Creation

Social Sharing
Methodology

1. Online Survey (58 responses)
2. Interviews & Observation at Bars (6)
Bars and Customers are interested in Tab Management

Likely or very likely used by 80%+ of customers. 40%–50% say it would affect bar choice.

Bartenders spend too much time checking and updating tabs.

People worry about their tabs.

Online Survey
#1: Bars and Customers are interested in Tab Management

There is interest in Tab Management AND it can potentially save Bars money!
Drink Recommendation might be popular

60% would use it, 40% say it would affect bar choice.

Want people to get beers they like

Customers often don’t know what they want

Online Survey
You can influence which drinks customers buy

Some customers get what the bar is known for, some what their friends order

70% are making a decision

Online Survey
Affecting Drink Choice is Valuable for Distributors & Manufacturers

Marketing company pushing drinks at bars in Las Vegas

$3B/year on Liquor Advertising!* 

Want to finish kegs

Lots of sales representatives from drink companies

*FTC/FlowTab Pitch Deck
Drink Choice is Valuable for Distributors & Manufacturers

Marketing company pushing drinks at bars in Las Vegas; drink companies want influence.

Want to finish kegs.

Lots of sales representatives from drink companies.

Drink companies are willing to pay money to push certain drinks!
Cocktail Creation is a Non-starter

Bars are optimized for their core set of cocktails, outside that, it takes longer and they’re less good.

People don’t know how to make good cocktails

Bartenders take pride in their work
Social Happens Elsewhere

Best solved by integration!
Tab management and drinks recommendations should be popular, and there is money in both…

Why hasn’t it happened yet?

(Market Penetration: ~2%*)

*Based on Tabbed Out (Wikipedia)
Bars do not want to change their workflow

Barcodes or extra devices are a bad idea

If it adds even the smallest bit of overhead, we would not use it
Even when available, Customers don’t always use it

Adopted a tab management app and nobody cared (don’t know why, it makes sense!)
Getting Bars to pay can be a significant sales effort.

Cost of acquiring a bar is $1,500-$2,500.

We don’t do Happy Hours, it cuts into profits and margins are not that high.
PART III: Opportunities & Existing Companies
Many Companies Are Trying

“We get someone pitching something like this every three months”
An Emerging Market

Drink recommendation

Social sharing of drinks

Drink creation

Tab management

Bar drink history
Many Have Failed...
Most Successful: Tabbed Out

- Established 2009 (Austin, TX)
- $41M funding (Dec 15: $23.5M Series C), claim 10,000+ bars, bars pay for service/analytics*

Never heard about it! (it’s hidden in POS)

* Wikipedia
What Makes the Difference Between Success and Failure?

1. Minimizing **Friction** for Bar Adoption
2. Achieving Sufficient **Concentration** for Customer Adoption
3. A good Business Model: **Who pays?**
I: Bar Adoption

**Insight:** Must not interfere with bar’s workflow → Need POS Integration
2: Customer Adoption

**Insight:** Can get early adopters from local events & bar concentrations
3: Who Pays For it?

**Insight:** Bars and Customers won’t Pay!

- Drink manufacturers?
- Distributors?
- Data aggregators ($1.72/user/quarter*)

We have all the data we need

Profit margins are not that high

* Forbes, “How much is a User worth”
1. **Friction**: POS Integration ✓

2. **Concentration**: Launch at SXSW ✓

3. **Who pays?**: Bar Pays for Data ✗

   Can compete by making it free!
Key Opportunities

• Few competitors, no market dominance

• Best chance to compete?
  – Free tab app for bars and customers
  – Minimize barrier for customer adoption (e.g., stay local, no app setup necessary)
  – Revenue from secondary features (drink recommendations, advertising, social, data)
Summary

• Mobile apps for enhancing the bar experience are a substantial opportunity

• Difficult to “crack” the market; many have tried, many have failed

• Tab management as feature to get people to use it, then add secondary features

• Focus on friction for bars, adoption for customers and business model