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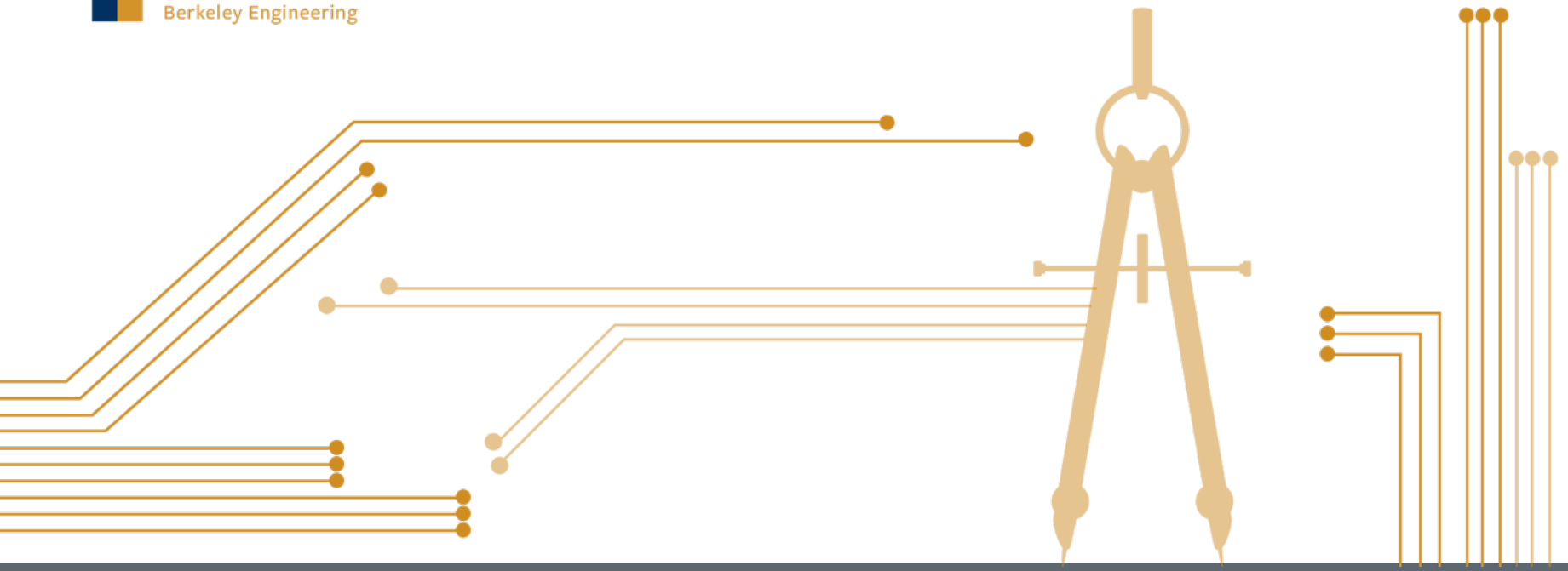

How Mobile Apps Can Disrupt the Bar Experience of the 21st Century: A Landscape Report

Tim Day, Martin Maas, Liyu Wang – MTI IEOR-290

This work was created in an open classroom environment as part of a program within the Sutardja Center for Entrepreneurship & Technology and led by Prof. Ikhlaq Sidhu at UC Berkeley. There should be no proprietary information contained in this paper. No information contained in this paper is intended to affect or influence public relations with any firm affiliated with any of the authors. The views represented are those of the authors alone and do not reflect those of the University of California Berkeley.

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Mobile Apps Disrupt Industries

2007
iPhone

venmo

Pay

2009-?
Payments

Google Hangouts

WhatsApp

FaceTime

2010-?
Communication

Exercise
2008

RunKeeper

fitbit

Transportation
2009-?

UBER

lyft

Education
2012-?

imagine K12

remind

coursera

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The 21st Century Bar Experience

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

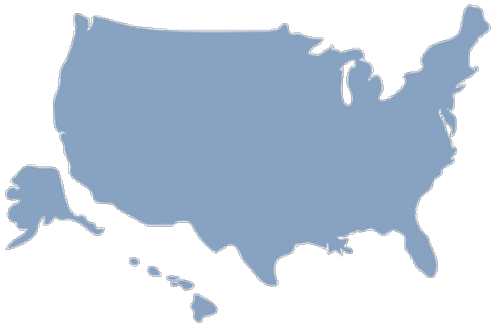
Hypothesis: The wide adoption of Mobile Apps represents potential for a fundamental shift.

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**

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Data from Statistica

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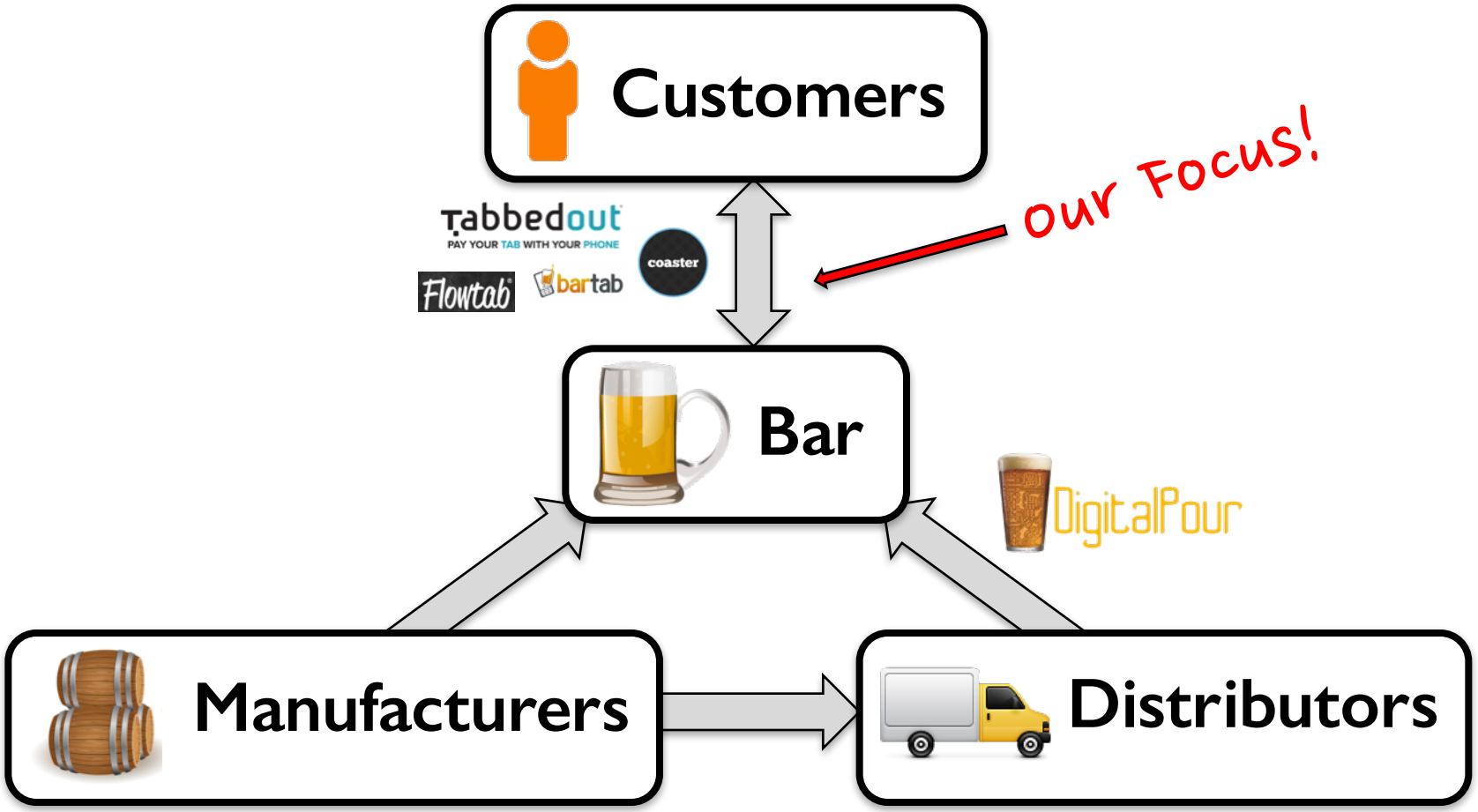
Industry Landscape



PART II:
Areas of Change & Challenges for Mobile Apps in the Bar Space

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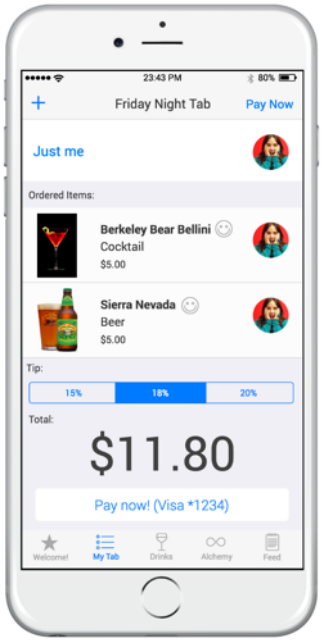
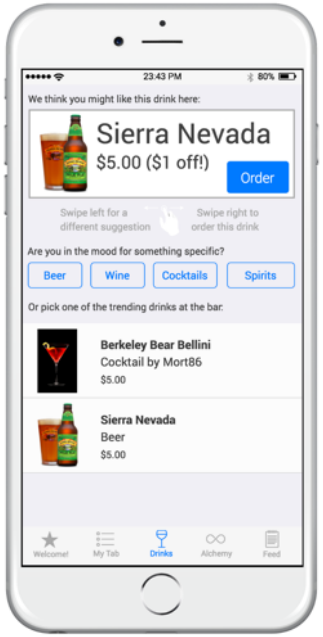
Potential App Functionality

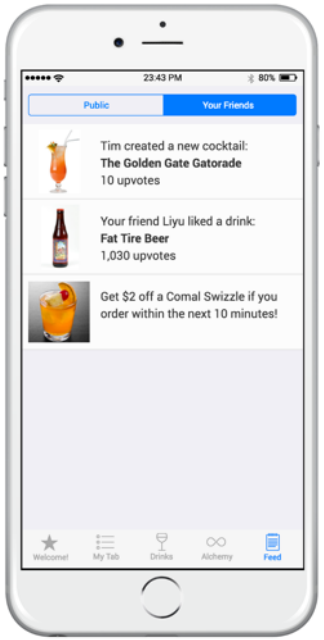


Manage Your Tab



Recommend Drinks

Cocktail Creation



Social Sharing

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Methodology

1. Online Survey (58 responses)
2. Interviews & Observation at Bars (6)

BACKBARUSA

PACIFIC COAST BREWING CO. OAKLAND, CA

HOME OF CHICKEN AND WAFFLES • SOUL FOOD AT ITS BEST •

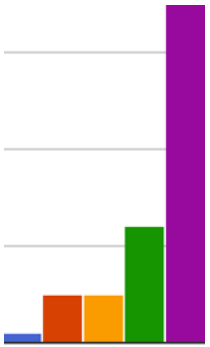
SOMAR bar & lounge

Bin 26 ENOTECA

PAPPY'S GRILL & SPORTS BAR

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.



Online Survey

Bartenders spend too much time checking and updating tabs

People worry about their tabs

SOMÄR bar & lounge

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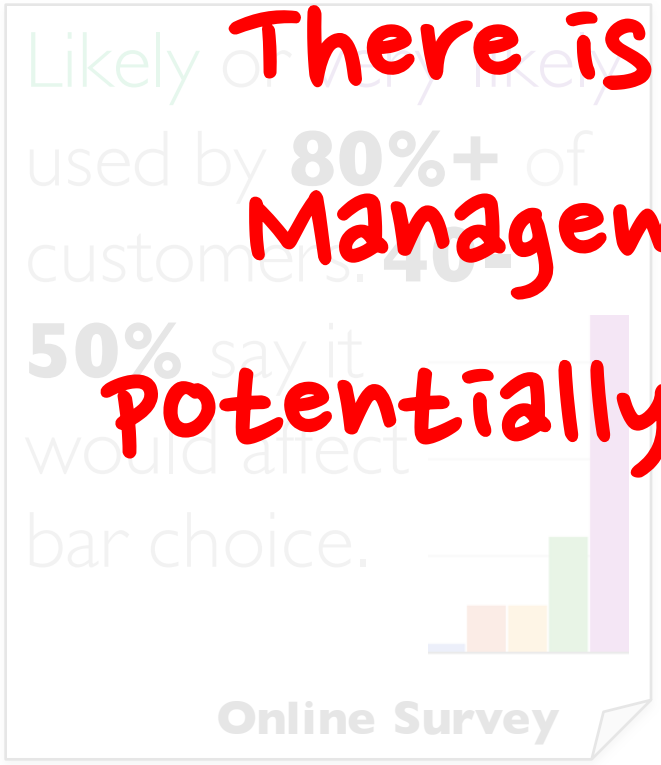
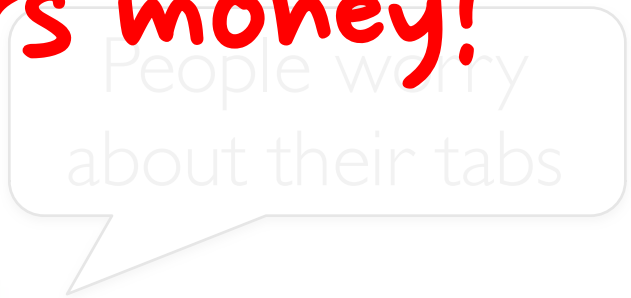
#1: Bars and Customers are interested in Tab Management

There is Interest in Tab Management AND it can Potentially save Bars money!





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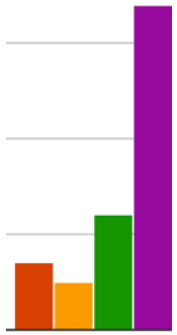
Drink Recommendation might be popular

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



Online Survey

Want people to get beers they like

Pacific Coast Brewing Co. Oakland, CA

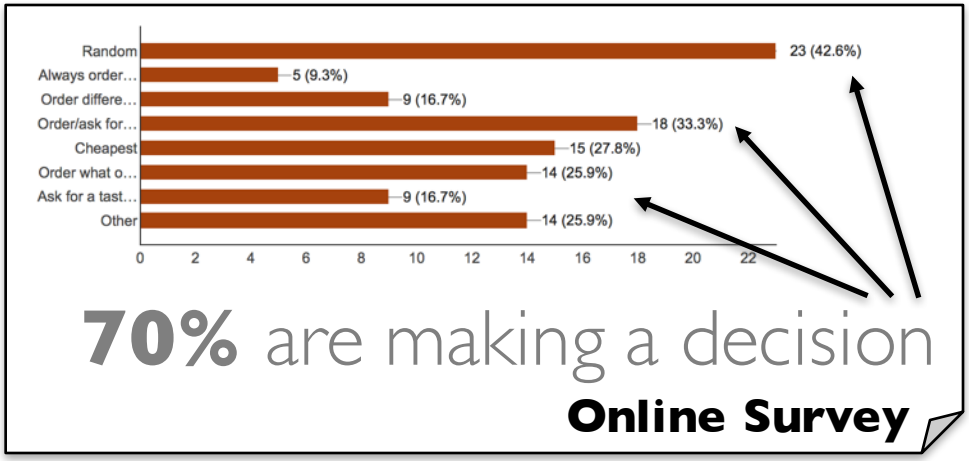
SOMAR bar & lounge

Customers often don't know what they want

You can influence which drinks customers buy

PAPPY'S
GRILL & SPORTS BAR

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



70% are making a decision

Online Survey

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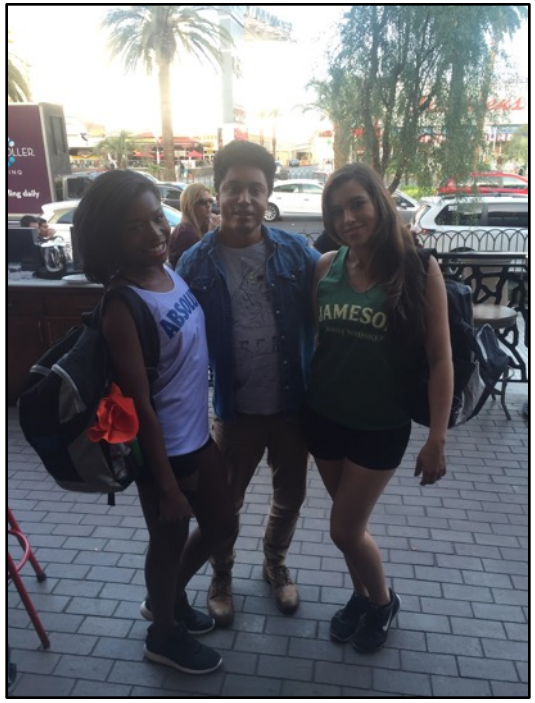
Affecting Drink Choice is Valuable for Distributors & Manufacturers



BACKBARUSA

Marketing company pushing drinks at bars in Las Vegas

$3B/year on Liquor Advertising!*

Want to finish kegs

PACIFIC COAST BREWING CO.
OAKLAND, CA

Lots of sales representatives from drink companies

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*FTC/FlowTab Pitch Deck

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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!

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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

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SOMÄR bar & lounge

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Social Happens Elsewhere

tripadvisor®

yelp

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

SOMÄR
bar & lounge

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!)

SOMAR
bar & lounge

Getting Bars to pay can be a significant sales effort

Flowtab®

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

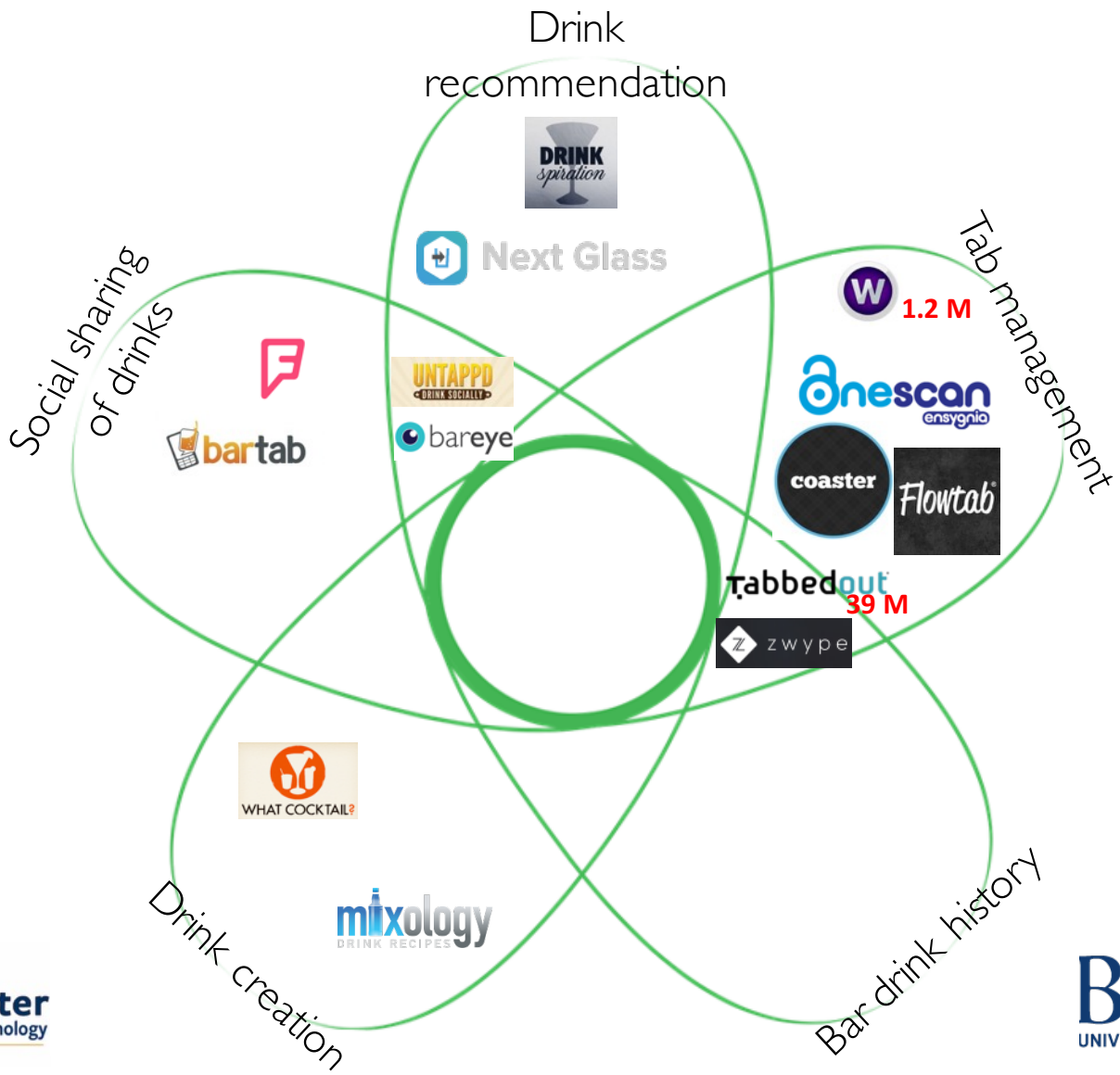
We don't do Happy Hours, it cuts into profits and margins are not that high.

PART III: Opportunities & Existing Companies

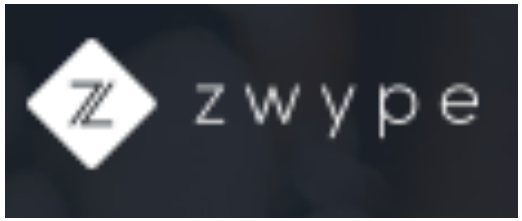
Many Companies Are Trying

"We get someone pitching something like this every three months"

An Emerging Market

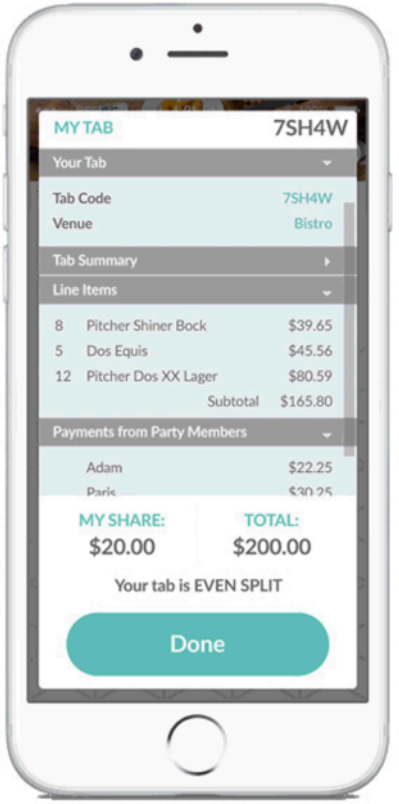


Many Have Failed…



Most Successful: Tabbed Out

- Established 2009 (Austin, TX)
- $41M funding (Dec15: $23.5M Series C), claim 10,000+ bars, bars pay for service/analytics*



tabbedout

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

HOME OF CHICKEN AND WAFFLES
SOUL FOOD AT ITS BEST

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* Wikipedia

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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**?

1: Bar Adoption

Insight: Must not interfere with bar's workflow ➔ Need POS Integration

Integration

2: Customer Adoption

Insight: Can get early adopters from local events & bar concentrations

tabbedout

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"

Tabbedout®

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)

Photo: http://www.wallpaperawesome.com/
wallpaper-food-drink-cocktail-cake-
pasta-pizza-awesome-47.php

SUMMARY

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**