

PROJECT 4a:
CASE STUDIES ON SUCCESS TRAITS

Domaine Pinnacle



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About the CAPI Processed Food Research Program

Food processing is one of the country's largest manufacturing sectors and an essential channel for Canadian agricultural products. Yet the rising trade deficit is signaling deteriorating performance. CAPI has launched a research consortium to galvanize a new approach. CAPI is not only focused on the problems but how to move forward to address them. This case study is part of a project to isolate company traits of success and what we can learn from companies to inspire change which includes a cross-case analysis.

Project 4a: Food Processing Company "Traits of Success": Despite the challenges confronting the sector, many individual companies are doing well. By collaborating with several business schools across the country, 13 case studies on diverse food companies were undertaken to isolate how companies are succeeding and positioning themselves to do even better. The individual case studies are based on in-depth interviews with company CEOs or senior leaders. This project is accompanied by a cross-case analysis.

PHASE 1 Diagnosis	PHASE 2 Inspiring practices	PHASE 3 Competitive advantage
1a. Diagnosing the trade deficit	4a. Case studies on company success	7. Conclusions
1b. Reasons for the trade deficit		8. Implications for policy & strategy
2. Explaining the trade deficit	4b. Cross-case study analysis	9. Dialogues on outcomes
3a. Food manufacturing performance	5. Consumers and markets	
3b. Plant openings, closings & investments	6. Innovation insights	

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SUMMARY

DOMAINE PINNACLE

The following case study examines Domaine Pinnacle, a family owned company founded in 2000 in Québec's Eastern Townships that quickly became the largest ice cider producer in the world. Today, the company has some 20 employees and produces, on average, 600,000 bottles per year. Half of these are devoted to ice cider, and half are used for various local spirits that are based on maple syrup. Domaine Pinnacle gained international recognition within just a few years, winning numerous gold medals at international wine competitions.

CHALLENGES MET BY DOMAINE PINNACLE

Domaine Pinnacle began as a small, family owned start-up company with international aspirations. The company's success in meeting this challenge makes it a shining example for other fledging Canadian and Quebec agri-food companies. This case study is focused on revealing how, with limited means and resources, one entrepreneur – Charles Crawford – managed to succeed so quickly on the global stage. More specifically, the case study examines how Domaine Pinnacle managed to diversify itself from focusing on a single product and how it achieved worldwide status in its market niche.

DOMAINE PINNACLE SUCCESS FACTORS

Pinnacle's vision was to become an international leader offering innovative and highly differentiated products. The authors interviewed founder Charles Crawford to find out what he considers to be the success determinants within his company. Based on his views, the main success factors can be aggregated into four distinct categories:

Simple Focus Strategy (niche)

- Differentiation through unique products hard to replicate by others.
- Strategy by stages (unique products - range of brands - proof of concept in foreign markets).
- Strategic choice of credible partners (distributors - importers - networks).
- Transition from a local brand to a range of brands internationally exportable.

Strategic Vision Based on Innovation

- Vision of an international brand at the outset.
- To own yet uncharted niches (playing field).
- Quickly generate local market growth to use as leverage in foreign markets while benefiting from 'share of voice' and a key partner (Camus).
- Establish brand notoriety and category reference.
- Regularly review strategy to ensure its evolution.

Structured Innovative Approach (Blue Ocean Strategy)

- Simple focus strategy (single product) through category analysis and management.
- Multidisciplinary team meetings for product development.
- Simple strategies understood by all and avoiding direct competition from major players.
- Creation of strategic partnerships for export.
- Define yet uncharted strategic niches through product and brand differentiation.

Culture of Excellence and Strategic Alliances

- Rigorous analysis of market, demand, trends and opportunities.
- Quality product, packaging and brand image.
- Principle of "effectuation".
- Excellence in action.
- Sharing of common values with key individuals.
- Entrepreneurship.

DOMAINE PINNACLE HISTORY AND DESCRIPTION

Domaine Pinnacle is a family-owned orchard and cidery located near the village of Frelighsburg in the Eastern Townships of Quebec, Canada. Owners Charles and Susan Crawford reside on the 430-acre orchard, which is perched on the southern slope of Mont Pinnacle. This is the site of Frelighsburg's first major orchards, established in the 1930s. The Domaine now boasts a vast apple orchard, a cidery and a maple grove. This particular geographic location – at the same latitude (45th parallel) where the world's most reputable wine-growing areas are located – endows the orchard with the benefits of a microclimate well suited for growing apples. These ideal growth conditions, together with the rigors of Quebec winters, provide the essential ingredients to manufacture ice cider. The property found its new vocation in 2000 when the Crawford's created its first ice cider. Thanks to the family's remarkable spirit and commitment, the company rapidly acquired world-renowned status. The Domaine products have won numerous gold medals in major international competitions, while receiving accolades from wine critics, top chefs and sommeliers at home and abroad.

Growing this Québec SME was a challenge. At first, Mr. Crawford worked on the company part-time. In the fall of 2001, the first boutique adjoining the family house was opened to sell the first cuvee. The following year, the very first Pinnacle ice cider entered the Quebec market through the SAQ (Société des Alcools du Québec) network. It was also in 2002 that Mr. Crawford realized his product had potential, and quit his job to devote himself full-time to the company. In 2003, imbued with an international sales vision but limited resources, Mr. Crawford began building an alliance with Camus, a cognac manufacturing company founded in France in the mid XIXth Century. Internationally renowned, Camus began providing the Quebec company with a level of market access that such a small company would have never otherwise attained. For example, when the Camus team sends a products container to Africa, it seizes the opportunity to include several cases of ice cider if the client requests it. The strategy gradually evolved between the two partners, who first tested a few markets before striking a global agreement in 2005 that made Camus the distributor for Pinnacle outside North America. The alliance provided Pinnacle with numerous benefits, including credibility, a solid distribution network, language, international offices, and participation in fairs. Today, Domaine Pinnacle's spirits are enjoyed in Tokyo, Beijing, Moscow, Paris, New York and Mexico.

In 2005, Domaine Pinnacle came to a crossroads, debating whether to broaden its product range. First, to satisfy a need for family privacy, the company decided to build a new boutique at the domain, separate from the main house. Second, to allow for expansion and facilitate operations, the company purchased a building and constructed a larger multifunctional plant. At the same time, in addition to a licence for the manufacturing and sale of industrial cider as opposed to artisanal production, the company requested a licence for other products (wine, spirits, maple based products, etc.). In 2006, a liquor-based ice cider cream was born.

Then, the Domaine's small sugar bush was reopened in order to develop a new range of three maple syrup based products under the label *Coureur des Bois*®. The overall strategy remained the same:

invest the effort required to promote this new brand in Quebec until it is successful enough for export. In 2010, the company built a micro-distillery to manufacture spirits. The Ungava® Premium Dry Gin, made with indigenous Quebec herbs, is brewed according to an artisanal method. It's the first product of this third range. Since 2013, this gin has been distributed worldwide by Camus (to 55 countries including Germany, Italy and Hong Kong).

In the fall of 2013, Domaine Pinnacle partnered with François Chartier to create a recipe booklet based on the Domaine Pinnacle products. Mr. Chartier is a world-renowned researcher who creates recipes that bring together food and wine in perfect harmony. Notably, he has won the World's Best Sommelier competition (Grand Prix Sopexa, 1994 Paris). The recipe booklet is distributed for free through the SAQ network. This approach illustrates what Mr. Crawford calls "share of voice," which enables him to implement his media strategy in Quebec at a lower cost.

INDUSTRY AND COMPETITIVE ENVIRONMENT

Domaine Pinnacle is a small family company operating in the processed food sub category (code HS 2206) and the spirits and liquors sub-category (HS 2208). Since the creation of its very first ice cider in 2001, the company has developed three ranges of distinct products (see sidebar). The Domaine has grown rapidly. Today, the company produces about 600,000 bottles per year. Half of these bottles are for ice cider, while the other half is used for various local spirits¹.

Ranges of Domaine Pinnacle's Products

Domaine Pinnacle™ : Apple based spirits (8 ciders, 1 brandy, 1 cream)

Coureur des Bois® : Maple syrup based spirits (1 whisky, 1 cream, 1 cider)

Ungava® : Premium dry gin made with herbs harvested in the far north near Bay of Ungava

Domaine Pinnacle takes part in all activities related to its value chain (Figure 1). First, the company functions as an apple and maple syrup producer, the two staples used in the majority of the spirits it manufactures and distributes. While Domaine Pinnacle distributes its own products throughout North America, it didn't hesitate to invest and partner with Camus, a world-renowned company, thus accessing an international distribution network. Thanks to this partnership, the little company from Frelighsburg today exports close to 40% of its production to 50 countries in five continents. The United States, China and Japan are, in that order, its three main export markets. Part of its production also goes to France, Germany and England. It is in foreign markets (especially in Europe and Asia) that Domaine Pinnacle presently enjoys its strongest growth.

¹ Jean-François Gagnon. Le bonheur est dans les pommes. *La Tribune*. May 7th 2013.

Figure 1: Value chain for Domaine Pinnacle.



In Québec, three main cideries (Domaine Pinnacle, Face cachée de la Pomme and Clos Saint-Denis) handle 75% of the production and 90% of Quebec ice cider exports. Given that ice cider is presently a niche product, the cideries work together to expand the category and access new markets. This objective was behind the creation, in 2010, of the Association des producteurs de cidres de glace (APCG), an organization that liaises with governments and promotes ice cider in Canada and abroad. As well, the group invests many hundreds of thousands of dollars annually in placement in foreign markets and attendance at fairs. There is no lack of potential. But according to Charles Crawford, for ice cider to continue to grow, more producers need to start exporting. “Everyone would gain by making sure their product is better known,” says Charles Crawford.

DOMAINE PINNACLE SUCCESS FACTORS

Simple Focus Strategy (niche)

The success of Domaine Pinnacle is thanks largely to how well the company and its team embarked upon a concrete strategic process of innovation and differentiation from its very beginning in 2000. Indeed, the model and business plan were developed before the process even started. This is a rather exceptional case of an entrepreneur allowing his vision to evolve and mature through an elaborate work plan, thus avoiding many pitfalls or failures. In fact, the excellence-based culture of the shareholder and his multidisciplinary team largely contributed to reducing the number of potential mistakes along the way. The company’s clear vision and focussed strategy are most certainly determining factors in its success in Canada and internationally. The company gained rapid success thanks to the simplicity of both its original vision and strategy.

» *“My vision was to focus on ice cider and I was convinced that this was a market that could be developed. If the strategy worked out, there could be other products eventually. But the first product really had to succeed, and the strategy had to stay on course with that one.”*

Despite a somewhat restrictive looking strategy, Domaine Pinnacle’s business vision enabled it to make huge strides toward increasing its growth while relying on a thorough grasp of the market and the segments unoccupied by its competitors. Mr. Crawford quickly understood that there existed fully opened market niches ready to be exploited. The company performed a thorough analysis of the opportunities presented by these market segments, helping bolster its development and business

growth. As well, its close relations with key partners have greatly contributed to the spectacular results of this young company, whose turnover grew from \$200,000 in 2002 to \$9M in 2008.

» *“In the beginning, the strategy was one focussed on a single and unique product. Pinnacle is a strong brand. When you are small, a single focus strategy is even more important...”*

Vision of an International Brand

Building on his success with ice wine and his local distribution network expansion, Mr. Crawford quickly sensed the need to expand his business. He was strongly motivated to develop an international brand. He refined his vision to improve on a business model that was originally based on a single product. In the next stage, he introduced his product to foreign distributors. Moreover, it was a product whose unique characteristics made it hard for major competitors to replicate.

» *“I never had the intention of only selling in Quebec, I always intended to sell abroad.”*

Leader in his Own Niche

Mr. Crawford’s vision is strongly influenced by his desire to be a leader in his own niche. The company had to occupy a non-existing category that, at that stage, was unexploited by the major cider and spirits players. The plan was to become a leader in Quebec at developing products with brands launched locally, but then exported internationally.

» *“The ice cider success was albeit surprising and rather quick in terms of category growth. My strategy evolved from being a leader in ice cider to a Québec products leader, but always with brands launched locally and then exported worldwide. Same strategy but with a broader range of brands.”*

Strategic Vision of Innovation and the Business Model

Mr. Crawford’s next challenge was to adjust his business model to reflect diversification in terms of products, ranges, brands, networks and markets, while pursuing a strong strategy focussed on innovation and diversification. This was a key chapter in Domaine Pinnacle’s success story. Indeed, adapting a business model is often a risky proposition where one usually finds many more failures and horror stories. Mr. Crawford is well aware that this was a crucial step for his company’s future. However, he chose to honour his values and initiated a simple and pragmatic three-stage approach that could be labelled the 1-2-3 strategy.

Ensure Local Success First

The first stage was to ensure that your basic product is a local success. Indeed, Mr. Crawford soon discovered the media potential of what he calls “share of voice” in Quebec, enabling him to establish his company’s notoriety for less money than he could have afforded in foreign markets, given the sums involved.

“But how can you compete with the big players? The advantage in Québec is that we are able to get “share of voice” with a limited budget because all the French media (television, radio, newspapers, wine critics) enable us to get an impact and be competitive. You can’t get this done in markets like Alberta or the United States. Also, people have easy access to the products thanks to SAQ’s multiple retail outlets.

Apply the Focus Strategy to a Category (niche)

The second stage of his strategy was to clearly define the niche or category that would henceforth frame the company’s market positioning. One has to be original and unique, innovative and inimitable.

“In 2002, I decided not to focus on building the brand but rather the category. We wanted Pinnacle ice cider to become THE reference. At first, all of our activities evolved around promoting the category: “grass root”, training in-store wine advisors, tasting events, etc. And our advertising focussed not on the brand but on ice cider: how to serve it and with what. We also worked closely with reputable chefs so that they would include ice cider in their menus.”

Internationalization of a Range of Quebec Brands

The third and most important and difficult stage to implement was “going international.” With their products now in more than 50 countries, Domaine Pinnacle had clearly succeeded in spite of the difficulties in accessing various markets and the required resources involved. Indisputably, Mr. Crawford and his team had to establish the strategic network that would enable them to develop the required attractiveness to secure the company’s success. How did they manage to do it?

“The strategy focussed on achieving success in Quebec first then on exporting. In that regard, we lacked resources on many levels: brand, credibility, personnel, finances, distribution network, etc. We therefore had to forge an alliance in order to compensate for our shortcomings. Thus, in 2003-2004, we began building a relationship with the cognac company Camus. The strategy first involved the development of a “proof of concept” by launching in the Asian market.

Structured Innovative Approach (Blue Ocean Strategy)²

At the inception of the project, Mr. Crawford did not implement a specific model to structure his innovative approach. He relied essentially on his marketing experience at Gillette, and on the quality of the people around him, all passionate about their work and all striving for excellence. Instinctive and creative by nature, Mr. Crawford took an approach similar to one known as the Blue Ocean Strategy described by authors Kim and Mauborgne in 2005 (www.blueoceanstrategy.com). While

² W. Chan Kim and Renée Mauborgne, reserchers at Blue Ocean Strategy Institute, Institut européen d'administration des affaires (INSEAD).

not knowingly following this model, he later discovered analogies between his own approach and the Blue Ocean Strategy. In fact, his strategy aimed at creating a new, competition-proof market, an exclusive universe that he rigorously deployed in developing his product lines and products.

«*“When I launched the ice cider project, my strategy was clear. I did not call it Blue Ocean, but there it was in my head. I launched many new products during my career and I worked in SMEs where it was important to have a niche that you could dominate, no matter how small it was. In 2005 or 2006, I read the book (Blue Ocean Strategy) and it confirmed the choices I had made. That encouraged me to forge ahead.”*

Ensure that Everyone Understands and Follows the Master Plan

Mr. Crawford’s work was built around a highly committed multidisciplinary team that made understanding the strategy its primary focus. This does not mean that adjustments and changes were not possible, quite the opposite. Adapting to changing circumstances was key to success, and therefore the company held frequent meetings, involving various departments (production, development, marketing, sales), and external partners as required (e.g. Camus). In this respect, Mr. Crawford alludes to the “effectuation” principle. “Effectuation” refers to the capacity – based on the entrepreneur’s own culture – to succeed in the real world through iterations designed to improve the strategy. Such a strategy is never borne from a simple and direct process. But along the way, it is essential that all those involved in the company understand the reasons for each step, and that complex ideas be made clear so that everyone can follow the plan. The Domaine Pinnacle’s case is a good example of an entrepreneur who adopts highly iterative tools and means. The difference resides in the fact that Mr. Crawford managed to frame his approach in a plan that can be compared, from a conceptual point of view, to a Blue Ocean Strategy. It is not the original strategy per se that ensures success, since adjustments clearly must be made to the strategy as time goes on. What makes the difference is instituting a corporate culture that is based on values of excellence, and which brings to life the initial vision, one shared amongst motivated work teams and with credible collaborators and partners. However, this entrepreneur proceeds according to a plan, a vision and directions that he tries to assert and demonstrate through his commercial achievement.

«*“We have a five-year strategic plan that we constantly revise. I already have the schedule for products and categories. Not all the details, but for the coming years, we know more or less in what order products will be introduced and what the priorities are. Opportunities have already been identified. Then for us it’s simple: we are in alcoholic beverages and we will not go into other products.”*

Culture of Excellence and Strategic Alliances

Domaine Pinnacle's corporate culture is the driving force behind the company's vision and strategy. Without this culture, the start-up would have found it extremely challenging to carve out such an enviable place amongst giants in such little time. No one denies that Domaine Pinnacle had a very important technology "pool" and developed well established brands. But what was most precious to Mr. Crawford's plan was a vision and sound ideas.

Without any strategic assets at the outset, achieving such a feat was an overwhelming accomplishment. He therefore had to rely on a strategic predisposition translated into "leadership" and a capacity to lead his partners in the "sale" of a vision and an uncertain future. It is through the merging of his vision's various elements and his "effectuation principle" that Mr. Crawford successfully implemented his plan and business strategy. Such "merging" is called corporate culture. Domaine Pinnacle managed to succeed at every stage by sharing values and a passion for excellence, by being rigorous in action and being supported by talented individuals in achieving the vision of an international brand.

Such an entrepreneurial culture of excellence is common with entrepreneurs who succeed in business. It is a mobilizing and contagious strength that inspires people to partake in your adventure. One must admit that this culture of excellence was essential to Domaine Pinnacle's success story. Without it, it would have proven difficult to convince quality players such as Camus to join in the adventure. Today, the partnership of the two corporations has taken them much beyond the simple sharing of human and financial resources. It is truly their respective culture that permeates the story of their successful products and brands. This privileged relationship has enabled Domaine Pinnacle to truly shine on the world stage, making the company the envy of an industry.

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