Marketing Plan Outline

1.0 Executive Summary

Mountain Man Brewing Company (MMBC) has produced a high-quality, great tasting premium lager for the people of East Central region of America since Guntar Prangel brewed his first batch of beer using a family recipe in 1925. Since that first batch, Mountain Man Lager has featured a meticulous selection of rare Bavarian hops and strains of barley, building the reputation as “West Virginia’s beer”. Mountain Man Brewing has stood for giving the people what they want and deserve in quality beer. Historically, MMBC’s average customer is a blue collar, middle to lower income male over 45 years of age, while 70% of their beer is sold to off premise locations, such as supermarkets and liquor stores. Recently, MMBC has experienced a 2% decline in revenue due to the aging demographics of their drinkers and the increase in light beer sales. Chris Prangel, Guntar’s grandson and future head of MMBC, hired Prestige Marketing to develop an innovative advertising campaign for MMBC’s new beer, Mountain Light.

Through current market research, Prestige Marketing identified that light beer sales accounted for half of all beer sales in 2005; while females and younger consumers (MMBC’s target market for this beer) prefer light beer over any other category. The campaign for Mountain Light builds on the already high brand awareness among young beer drinkers between 21 to 27 years of age and all women over the age of 21. Mountain Light’s slogan of “Go Light, Stay Longer” will appeal to the target demographic through a campaign launch in Morgantown, West Virginia followed by aggressive advertising commercials, internet advertising, and a social media campaign in the East Central states of Ohio, Illinois, and Michigan. The campaign will target new customers while not alienating MMBC’s loyal drinkers.

2.0 Situation Analysis

Mountain Man Brewing Company (MMBC) has produced a quality lager beer for 80 years that is deeply entrenched in the East Central region of the United States. MMBC’s reputation has resulted in holding the top market position for lagers in West Virginia for almost 50 years and has maintained a reputation as an old school, family-owned, regional brewery that produces a working man’s beer. MMBC competitively prices their beer to match major domestic beer brands. Brand awareness and customer loyalty are important aspects for MMBC’s business plan. Currently, MMBC is responsible for 1.4% of the total barrels of beer sold in the East Central region and generates approximately $50,000,000 in revenues each year (down 2% from the previous fiscal year). MMBC has maintained a respectable share of the market with their flagship beer, Mountain Man Lager. In light of this, MMBC is seeking to capitalize on the fastest and consistently growing light beer market by introducing Mountain Light “Go Light, Stay Longer”.

2.1 Market Summary

MMBC mainly sells 70% of their beer to off premise locations, such as supermarkets and liquor stores, utilizing a major beer distributor and a local sales team to bolster sales. MMBC’s average customer is a blue collar, middle to lower income male over 45 years of age. MMBC’s new strategy will focus on maintaining this customer base with their flagship lager, while targeting younger generation beer drinkers, ages 21-27, who had not yet established loyalty to any specific brand of beer. As well as targeting female beer drinkers who prefer a light beer. Specifically, MMBC will focus on targeting the states of Illinois, Michigan, and Ohio, which have consistently consumed approximately 65% of the beer in the East Central region.

2.1.1 Market Demographics

MMBC’s customer base has traditionally been men ages 35-64 who have a household income between $25,000 and $75,000 a year. Men make up 81% of MMBC’s customers. MMBC’s customers are typically blue collar, working class men from Illinois, Indiana, Ohio, Michigan, and West Virginia; these blue collar customers account for a large percentage of sales. This customer base typically purchases 60% of their beer from off-premise locations, such as supermarkets and liquor stores. *Mountain Man Lager* drinkers are among the most loyal customers in the market. MMBC has a brand loyalty rate of 53%, outperforming major competitors, such as Budweiser. Maintaining and growing this brand loyalty is an essential element for MMBC.

2.1.2 Market Needs

MMBC is responding to the growth in light beer sales with a product line extension through the launch of *Mountain Light*. Light beer sales accounted for half of all beer sales this last year; females and younger consumers (MMBC’s target market for this beer) prefer light beer to any other category. MMBC brand awareness is already high among young beer drinkers; releasing this light beer will capitalize on that demographic.

2.1.3 Market Trends

In 2005, light beer accounted for 50% of all volume sales. Large national breweries have sold light beers for many years with great success. In the East Central region, light beer has increased by 4% while premium beers, such as *Mountain Man Lager*, have decreased by 4%. Economic pressures have forced many regional breweries in the East Central part of the United States to close over the past few decades. MMBC serves a large enough market with a strong brand to compete with major domestic producers. The beer industry has recently shifted their focus to the younger beer drinker segment. This market segment accounts for a quarter of all beer sales and is estimated to continue to grow larger in coming years. The younger beer drinker demographic tends to drink light beers from the major domestic brands-such as *Bud Light* and *Miller Lite*.
2.1.4 Market Growth:

The United States beer market is broken down into four main categories for production: major and second tier domestic producers, import beer companies, and specialty brewers. In 2005, the major and second tier domestic producers account for 86% of all sales in the East Central region. Sales of light beers have increased by 20% since 2001-now accounting for 50% of the market. The growth in the sales of light beer can be attributed to the younger beer drinkers and female’s preference for light beers.

2.2 SWOT

The following SWOT analysis captures the key strengths and weaknesses within the Mountain Man Brewing Company and describes the opportunities and threats facing the company.

2.2.1 Strengths

- Earned a strong reputation throughout the country’s East Central region.
- Has been the top seller of premium beer in the state of West Virginia for over 50 years.
- MMBC prices are competitive with other brands of beers, both premium domestic and specialty brands.
- Because it is a family owned business, MMBC has gained popularity among blue-collar males over the age of 45.

2.2.2 Weaknesses

- Currently only brews one beer, *Mountain Man Lager*.
- Over the past six years, sales of traditional premium beer have decreased at a compound annual rate of 4%.
- Since its early years, MMBC has focused on a market population of blue-collar males over the age of 45. This has alienated the younger population and stymied market growth.
- Because profits have decreased due to diminishing sales of *Mountain Man Lager*, the high cost of launching a new product could prove to be financially devastating to the company.

2.2.3 Opportunities

- Sales for light beer have grown at a compound rate of 4% for six straight years.
- *Mountain Light* has the potential to exploit the market made of up women in their early twenties.
- Consumers 21-27 years of age, while accounting for 27% of beer sales and growing, lack loyalty to a particular brand. This is a market that could be targeted.

2.2.4 Threats
Major domestic producers account for over 70% of beer shipments in the region where Mountain Man’s market is concentrated.

- The diminishing of its core consumer base due to aging.
- A growing interest for wine and spirits-based drinks.
- The growing power of distributors because of their alliances with larger national brewers to on and off premise locations.

### 2.3 Competition:

The beer market in the US is extremely competitive. It is broken down into four categories and Mountain Man Brewing Company is in constant competition with each category. There is one category, the major domestic producers, which poses the biggest threat to Mountain Man Brewing Company’s share of the market. This category is made up of the three largest beer makers in the country: Anheuser Busch, Miller Brewing Company, and Adolf Coors Company. Second-tier domestic products and import beer companies are the next two categories which make up the next level of competition for Mountain Man. The smallest category is the craft beer industry. While this category only accounts for 1.5% of the total beer market where Mountain Man operates, it is a growing category that has become popular amongst beer enthusiasts. It is important to note that another competitor that has starting gaining ground is the wine industry.

### 2.4 Product Offering:

Mountain Man Brewing Company only offers two main products:

- **Mountain Man Lager** is popular to a market share made up of blue-collar males 45 years old and older.
- **Mountain Light** is produced to target a market population of consumers in their early 20s, and women.

### 2.5 Keys to Success

The key to success is designing a marketing plan to target a younger population between the ages of 21 and 27. This population has shown to be interested in consuming light beer at a higher rate than any other beer. Producing a beer that can be promoted to meet demand will prove to be pivotal in ensuring Mountain Man’s profitability, while also making it a key player in an extremely competitive market.

### 2.6 Critical Issues

MMBC has a well-established core of clients who are loyal to Mountain Man Lager. The critical issue is attempting to introduce Mountain Light into an already saturated market aimed at an entirely new customer base:

- Possibility of killing the core brand by introducing a new product.
- Maintaining competitive prices in a market where retail stores are selling beer at discounted prices.
- Younger consumers tend to be anti-big business. It is essential to maintain the company’s image of a small, family owned business.
- It is important to remain loyal to the *Mountain Man Lager* consumer base.

### 3.0 Marketing Strategy

Mountain Man Brewing Company has a long history of producing quality beer resulting in a respected reputation throughout the East Central region of the United States. The foundation of our marketing plan is to expand the awareness of the light brand to a young adult demographic while maintaining the brand loyalty MMBC has built with its loyal lager drinkers. The campaign will focus on building upon the established brand image with a great tasting, affordable, light, regionally brewed beer. To clearly differentiate our light product, we propose distributing *Mountain Light* exclusively in cans and kegs. The canned beer will visually differentiate the product from the lager, thus not alienating the classic *Mountain Man Lager* drinkers. The cans will also reduce distribution and storage costs. The aluminum can will feature eye-catching nature inspired graphics, recyclability, and a unique wider mouth opening; a feature that is similar to cans made by some of *Mountain Light*’s competitors. *Mountain Light* retailers will receive large cardboard displays featuring young athletic males and females in form-fitting outdoor wear standing atop a mountain.

In addition to the canning operations, our marketing campaign includes increasing *Mountain Light*’s on-premise sales in bars and restaurants. The *Mountain Light*’s slogan of “Go Light, Stay Longer” will be prominently featured at sporting events in West Virginia. The campaign will launch in the fall of 2006 in bars and restaurants in Morgantown, West Virginia. This will coincide with the increased population during Saturday Mountaineer football home games. Since alcohol is not sold in the University of West Virginia’s home stadium, our campaign will launch with a large tent featuring the *Mountain Light* logo, located on High Street in downtown on Saturdays before and after the projected largest attendance games (University of Maryland on September 14th, 2006 and Rutgers University on December 2nd, 2006). The initial launch campaign will also take place in iconic bars and restaurants around Morgantown such as: Mario's Fishbowl, Crockett's, Gibbie's, Kegler's, and the Varsity Club. Local models, which will provide free samples, will staff the campaign and provide free T-shirts as allowed by Morgantown city ordinance.

The campaign will also feature an increased internet marketing presence, social media such as Twitter, Myspace and Facebook advertisements, and television commercials focused in the larger cities in Illinois, Ohio, and Michigan where 65% of MMBC sales are generated.

### 3.1 Mission
The mission of the Mountain Man Brewing Company is to produce a high-quality, great tasting premium lager for the people of East Central region of America. In 1925, Guntar Prangel brewed his first batch of beer using a family recipe featuring a meticulous selection of rare Bavarian hops and strains of barley he hand-carried from Europe. Mountain Man Brewing has stood for giving the people what they want and deserve in quality beer. Mountain Man Brewing Company makes it a priority to support its employees and the communities where we live, work, and enjoy beer responsibly. Mountain Man Brewing Company is committed to investing in our employees, businesses, and communities.

3.2 Marketing Objectives

Mountain Man Brewing Company will introduce Mountain Light to a young, active, and thirsty demographic of drinkers (21-27 years old males and women of drinking age). The marketing campaign will expand the brand image to a new demographic for Mountain Man Brewing Company. This will allow MMBC to reach a larger population of drinkers who have not traditionally enjoyed Mountain Man Lager, increasing sales by a quarter of a point annually.

3.3 Financial Objectives:

- Sales of Mountain Light will increase revenue 2% annually to compensate for the annual lost revenue of Mountain Man Lager.
- Mountain Light will grow its regional market share of light beer from 0.25% in 2006. There will be a quarter percent growth every year from 2006 to 2010.

3.4 Target Markets

With over 85 years of brewing “West Virginia’s Beer”, Mountain Man Brewing Company has established a niche population within the East Central region of America. The current beer market trends have demonstrated a preference towards a lighter beer. The primary target market for Mountain Light is younger male drinkers between 21 to 27 years of age. This age range is the largest consuming segment of the adult population, nearly 27% and growing. These younger male drinkers have yet to establish a loyalty to any particular beer brand. The second market targeted is the female population. Females have the greatest preferences towards consuming a light beer (42%) over any other type of beer. The third target is aimed distribution towards on-premise locations, such as bars and restaurants. MMBC current segment of the beer market is shrinking, therefore MMBC aims to expand its market by promoting younger drinkers and the female population to consume Mountain Light at on-premise locations.

3.5 Positioning

MMBC will position Mountain Light as the light beer of choice for young generations and female consumers. MMBC will leverage the competition by providing a quality, distinctively flavorful, and drinkable light beer.
3.6 Strategies

The main objective is to position the *Mountain Light* beer as the premier light beer in the East Central region. The marketing strategy will build on the motto “Go Light, Stay Longer.” The strategy of the slogan is to tap into the feelings of health conscience, weight conscience, and younger adults and women. *Mountain Light* will offer the great taste and value of *Mountain Man Lager* with fewer calories. As previously described, the new message will be distributed through a variety of methods. The first method will be a restructuring of the Mountain Man Brewing Company’s website. The website will be redesigned to emphasize the MMBC’s commitment to continuous improvement and giving the people what they deserve. The second marketing method will be a media tour, to include interviews on television and radio. The product launch will occur in Morgantown, West Virginia during a University of West Virginia home football game at Milan Puskar Stadium in the fall of 2006. Market research shows that nearly 60,000 fans attend home football games with an estimated 50,000 more people traveling to Morgantown, WV during home game weekends and visiting downtown. This opportunity will enable us to reach a large core MMBC audience building strong “buzz” for the brand through word of mouth.

3.7 Marketing Program

MMBC’s marketing program is comprised of the following approaches:

- **Unique Product:** *Mountain Light* will target a niche market for people who enjoy a regional light beer. We will compete directly with top selling national domestic beers such as *Coors Light*, *Miller Lite*, and *Bud Lite*. Additionally, *Mountain Light* will also appeal to a young, active, and healthy adult. However, because of the calorie count in a *Mountain Light*, we will not be able to offer direct competition with the ultra-low calorie beers such a *Budweiser’s Select 55*, *Michelob Ultra*, or *Miller 64*.

- **Pricing/Cost:** To remain competitive, *Mountain Light* must be priced competitively with the premium domestic national light beers such as *Bud Lite*, *Coors Light*, and *Miller Lite*.

- **Advertising:** As discussed, *Mountain Light*’s advertising will focus on commercials, internet, and social media and feature a campaign launch in Morgantown, WV during two of the University of West Virginia’s Saturday home football games.

- **Distribution:** *Mountain Light* sales and distribution teams will become much more aggressive in expanding *Mountain Light* to on-site sales. Currently, *Mountain Man Lager* sold 70% of its beer for off-premise (liquor stores) consumption, consistent with industry sales through this channel. To match the company’s new phrase of “Go Light, Stay Longer”, we want to ensure *Mountain Light* is available on tap in bars on a regional scale. The on-tap beer marketing will also include a unique tap fixture, which will become a recognized symbol for great light taste. Additionally, the conversion to can operations for *Mountain Light* enables cases to be stacked on top of
each other, saving on valuable shelf space in retail food and liquor stores—an option which is not available for six packs of *Mountain Man Lager* bottles.

### 3.8 Marketing Research

MMBC has researched and analyzed the current market to determine the need for *Mountain Light* beer. The various research methods include focus groups, demographics of beer consumers, overall beer consumption trends of the East Central region, and a market evaluation.

- **Focus Group:** An outside agency preformed a focus group of a half-dozen participants to gain in-sight from the consumers on the *Mountain Light* proposal. The younger female participants provided positive interest and the older participants demonstrated a need to remain true to *Mountain Man Lager*.
- **Key Demographics:** MMBC determined key market targets for domestic light beer in comparison to domestic premium beer, as well as MMBC flagship beer, *Mountain Man Lager*. The data validates the niche currently held by MMBC and provided guidance on the current demographics of light beer drinkers: younger males (21-27 years of age) and females of all ages.
- **Consumption rates:** Light beer, imported premium, and super-premium beer have a positive compound annual growth rate, signaling the increase demand for the East Central region. Over 50% of the current consumption is of light beer. Another validation that the market exists for light beer.
- **Market Evaluation Findings:**
  - Strong brand equity as “West Virginia’s Beer.”
  - Independent brewery appreciated by younger drinkers.
  - Grass-root marketing is effective for MMBC; plan to expand grass-root campaigns to grow a new product. These campaigns will focus on local activities such as Saturday football games.
  - *Mountain Man Lager* blue-collar customers are a small percentage but account for a large percentage of sales. The customer loyalty rate is higher (53%) than rates of the competition.

MMBC is confident in the research and analysis of the beer data to seize the opportunity to gain market shares of light beer by launching a new product, *Mountain Light*. Also, the gains in market shares will not hinder the current market that is loyal to *Mountain Man Lager*.

### 4.0 Financials

This section will offer the financial overview of MMBC related to marketing activities. MMBC will address break-even analysis, sales forecasts, expense forecast, and indicate how these activities link to the marketing strategy.

#### 4.1 Break-Even Analysis
Currently, the light beer market is growing at a Compound Annual Growth Rate (CAGR) of 4%. Investing in the light beer market will incur several initial investment costs. First, the cost to produce a barrel of light beer will increase by $4.69. This will decrease our overall contribution margin for light beer. *Mountain Light* would also require an intensive one-year marketing campaign costing around $1.5 million. Other costs associated with the introduction of a light beer would be a product manager, additional sales staff, and ongoing marketing expenditures. The final cost would be to invest into a canning line that would cost MMBC approximately $100,000. With all the additional costs to add Mountain Light to MMBC it would only take MMBC 1.04 years to break-even (See Figures 1 & 2).

### 4.2 Sales Forecast

MMBC believes that the sales forecast figures are conservative. Based on the additional product line to MMBC, *Mountain Light* will be introduced to the light beer marketing and penetrating it with an annual growth rate of 0.25%. This will allow for MMBC to capitalize on the 4% growth rate in light beer (See Figure 3).

### 4.3 Expense Forecast

Initial marketing expenses are not as high as if we were to launch a new national beer brand that would cost MMBC $10-$20 million in TV ads alone. However, MMBC expects a decrease in revenues for the first year due to the intensive advertising campaign (See Figure 4). The expense forecast will be used as a tool to keep the organization on target and provide indicators when a modification or correction is needed in the future.

### 5.0 Controls

The light beer industry in the East Central region has been growing steadily over the past couple of years due to younger consumers preferring light beer to other categories. With this in mind we intend our marketing programs to expand accordingly. Throughout the year we intend to undertake regular evaluations of our marketing programs so as to ensure that we are in-line with our intended objectives. The purpose of MMBC’s marketing plan is to serve as a guide for the organization. MMBC’s strong brand and quality product will remain at the forefront of every marketing initiative. The following areas will be monitored to gauge performance:

- Revenues: monthly and annual
- Expenses: monthly and annual
- Review market analysis
- Customer satisfaction

### 5.1 Implementation

The following milestones identify the key marketing programs. MMBC will invest $2.5M towards brand awareness, advertising, and equipment for *Mountain Light* during the first year of
production. After the initial year, the annual investment will be $900,000 which is 19% of our company’s total revenues (See Figure 5). It is important to accomplish each one on time and on budget.

5.2 Marketing Organization

Chris Prangel will be responsible for the marketing activities.

5.3 Contingency Planning

Difficulties and Risk

- Problems generating visibility
- Importing issues that are beyond MMBC’s control
- An entry into the market that adopts similar products

Worst Case Risks

- Determining that the business cannot support itself on an ongoing basis
- Having to liquidate equipment to cover liabilities
Appendix

Figure 1. Break-Even Analysis

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<th>Annual Cash Flows</th>
<th>Cumulative Cash Flows</th>
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<td>4</td>
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Recovery Year's Cumulative Cash Flow: 0.04
Next Year's Annual Cash Flow: 1.04 Years

Figure 2. Projected Net Income for Mountain Light, FY06-10

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<tr>
<td>2007</td>
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Mountain Light Projected Net Income
Figure 3. Yearly Sales Forecast

![Mountain Light Sales Forecast](chart)

Figure 4. Marketing Expense Budget

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<td><strong>9.15%</strong></td>
<td><strong>5.87%</strong></td>
<td><strong>4.23%</strong></td>
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Figure 5. Milestones

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