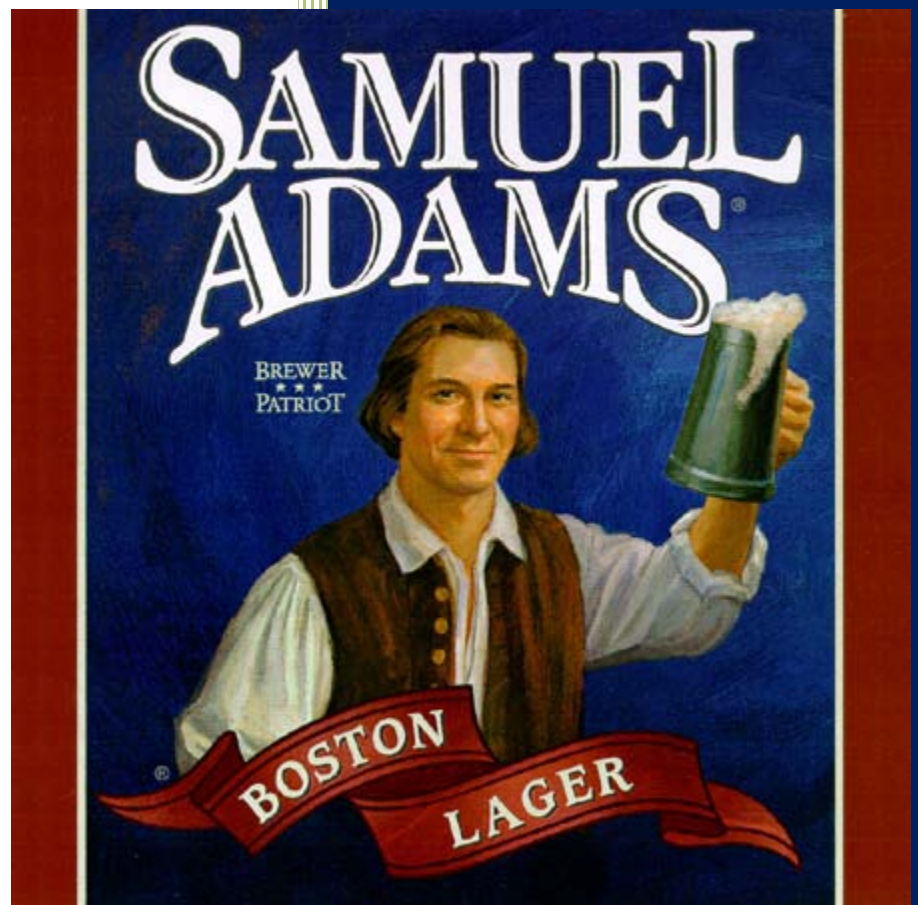


FEASIBILITY STUDY: SAMUEL ADAMS IN ARGENTINA



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Letter of Transmittal

May 11, 2009

BBC
123 Main Street
Reno, Nevada 89557

Dr. Judy Strauss
Associate Professor of Marketing
University of Nevada, Reno
Reno, Nevada 89557

Dear Dr. Strauss:

We are pleased to present to you BBC's marketing plan for expanding Samuel Adams into Argentina. This plan is based upon substantive research, both primary and secondary market research, into the factors that drive the demand for beer in the Argentina target area. We further researched opportunities that, if implemented, could increase market share for CCU Argentina and increase profits for Samuel Adams.

It is our opinion that the recommendations contained in this plan will foster excellent opportunities for Samuel Adams, CCU Argentina, and the Argentine market as a whole.

We appreciate the opportunity to work with Samuel Adams and especially would like to thank Dr. Strauss of the Marketing Department for her assistance. Please contact us at your convenience for any further discussion concerning the contents of this marketing proposal.

Regards,

Jacquelyn Long

Kelsey Zufelt

Stephen Featherston

Noah Wilson

Shawn Anders

Executive Summary

BBC has developed a feasibility study based on Samuel Adams, a popular US beer manufacturer, entering the market of Argentina. The biggest competitor in the Argentine beer market is AmBev, based out of Brazil. AmBev is a subsidiary of the Dutch company, InBev, the largest global brewer and distributor. AmBev recently acquired a 91.18% stake in Quinsa, which produces what most Argentines consider to be the national beer, Quilmes. With a controlling interest of Quinsa, AmBev now supplies about 78.2% of the market in Argentina. However, AmBev was forced to sell off 6 plants by order of Brazilian and Argentine governments in order to stop AmBev from creating a monopoly. The other major competitor in the market is the Chilean company, Compañía Cervecerías Unidas S.A. (CCU). This company is the second largest player in Argentina with 16% of the market share. This company has licensing agreements with Heineken, Budweiser, Corona, and Guinness to distribute their products in the respective markets (Funding Universe, 2008).

Heineken and Budweiser have successfully entered Argentina through licensing agreements with CCU Argentina (CCU, 2008). This avenue of market entry would also be the most feasible option for BBC. A licensing agreement with CCU would offer BBC quick entrance into the market, and would allow BBC to sell its beer through CCU's established distribution channels. Samuel Adams should request a ten-year licensing agreement renewable for subsequent periods of five years in exchange for exclusive rights to produce, sell, and distribute within Argentina. If Samuel Adams can obtain a licensing contract with CCU Argentina, BBC plans to take a 15% cut of profits. With the price set between \$1.29 and \$1.69 USD and costs of production averaging \$0.76 USD per beer, BBC plans to take roughly \$0.12 USD a beer. CCU Argentina should make approximately \$0.62 per beer. If no agreement with CCU can be made, Samuel Adams has the option of trying to negotiate an agreement with the market leader AmBev; however, due to their recent problems with the Brazilian and Argentine government, it seems unlikely that AmBev would offer a long term agreement.

During 2007, beer sales in Argentina grew by 14%. In total beer sales, this ranked Argentina the fourth largest market in Latin America, behind Brazil, Mexico, and Venezuela. We hope for CCU Argentina to capture 2-3% of the market within the first 2-3 years, but our long term goal would be to capture 5% of the market and infiltrate other South American countries through our introduction into Argentina. BBC's strategy to market Samuel Adams and reach our goal for market share, is to use large poster print ads, as well as individual displays or promotional banners which can be given to the individual stores and corner markets that pervade throughout Argentina. The store displays will be crucial since most corner stores do not allow shoppers to actually enter the store and shop themselves. Instead customers order up front and items are brought to them.

After entering the market, Samuel Adams can either compare the success of our entrance with those of other companies who entered before, such as Corona and Budweiser, or request sales information from their licensor. We expect that the most valuable resource for Samuel Adams will be its licensor.

PART I: MARKET ANALYSIS

General Information

Argentina is a very unique and promising market located in South America. The people of this country are mostly of European (Spain and Italy) descent. There are a few minorities within the country including Jewish and Asian immigrants and a small population of indigenous people. Argentina has a unique climate, which varies from subtropical to subarctic. The country is typically known for its hot and humid summers, and cool, mild dry winters. However, the climate varies from region to region. There are 6 different regions in Argentina including the Pampas, which is the most famous region in the country. It is home to the largest cities and provinces. There is also Mesopotamia, Patagonia, Gran Chaco, Cuyo, and the Northwest.

Argentina's history goes back over 10,000 years, when it is believed that the first humans settled the region. It once again made history when the Incas invaded the northwestern plains of Argentina during the 12th century. The Spanish conquered the country during the mid 16th century. The Spanish established Buenos Aires, which became a vital port city and eventual the capital of Argentina. In 1810, Argentina declared independence from Spain. A wave of immigration and foreign investment in 1870 helped shape the Argentine Republic into a modern nation. Throughout the 19th century Argentina was considered one of the soundest states in South America, boasting a strong middle class and a top 10 GDP. While they managed to stay neutral during WWI and most of WWII, the situation within Argentina became unstable. Throughout the 20th century violence and civil unrest has decreased the middle class and GDP; however, over the last 20 years Argentina has again prospered. Argentina makes up the 23rd largest GDP in the world based on GDP and Purchasing power. Argentina has a well-educated export-oriented country, but they have had issues with slower economic growth over the last couple of years. Despite its economic setbacks, this country appears to be a promising new market for BBC (Wikipedia).

Target Market and Potential

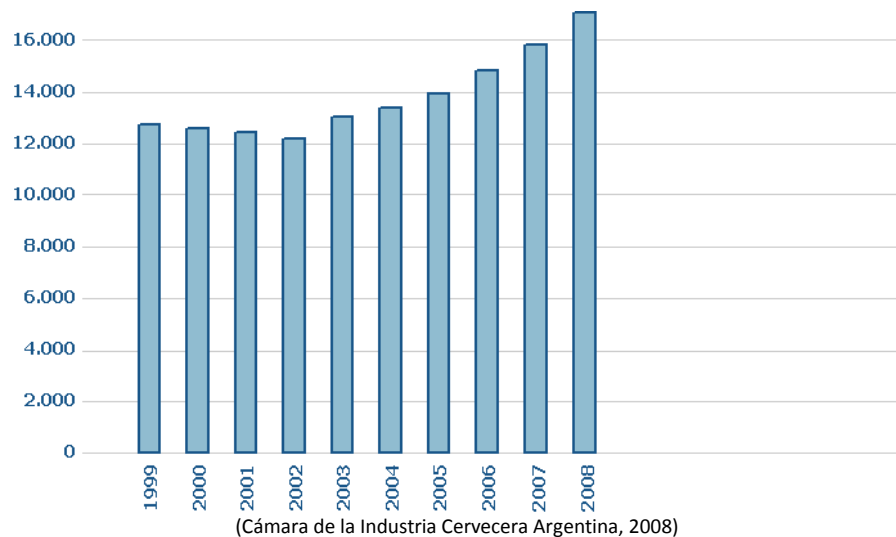
While the legal drinking age in Argentina is 18, the experimentation with alcohol generally begins prior to reaching legality. When a teenager in Argentina first experiments with alcohol their beverage of choice is generally beer. Beer is traditionally cheaper than its alternatives and has a lower amount of alcohol. This helps to calm the fears of first time drinkers about the effects it may have on them. Since beer is usually their first experience with alcohol, many stay loyal to their first brand of choice (Euromonitor International, 2008). Therefore, the target market for Samuel Adams beer should be young males aged 18 – 25, as they are traditionally the biggest consumers of beer (Euromonitor International, 2008). This market generally has a limited amount of disposable income, thus they are a great fit for Sam Adam's affordable price. The population of Argentine males aged 15-64 as of July 2007 is 12,807,458 (CIA, 2009). An estimated 23% of the population has an age range between 15-29 (Altepedia, 2008). Since the

breakdown in population of Argentina is 48.9% males, we can better identify that our target market consists of about 4.6 million young men.

Jaime Russell, 25, writes about her experiences living in Argentina for the past seven years in her article, *Life in Argentina*. She paints a picture of weekend life for young Argentines. Through this article we can see how Samuel Adams beer could fit into this lifestyle. A typical Friday night involves a group of friends getting together around midnight with their guitars, beer or wine, and a communal food such as pizza. The friends hang out and play music, drink their drink of choice, sing, and just hang out and talk until about six in the morning. After returning home from the evening they rest up and get ready for Saturday night, which usually takes on a different atmosphere. Saturday night is usually reserved for going out to a local club for dancing and more drinks, another possibility for Samuel Adams. The youngsters usually hit the clubs around midnight again and dance and party until the early morning hours, often times returning home after the sun has risen (Russel, 2008).

Since 18 – 25 year old males generally spend the weekends drinking, dancing, and hanging out with their friends they are an excellent market to target. As noted before, our target market generally has less disposable income to spend. This means that they are less likely to be drawn towards drinking traditional Argentine wine or liqueur because of its hefty price tag. We can further look at how to advertise and distribute Sam Adams in a way that will intrigue our buyers to try their favorite flavor of Sam Adams instead of the competitor.

During 2008, beer sales in Argentina grew by 14%. In total beer sales, this ranked them the fourth largest market in Latin America, behind Brazil, Mexico, and Venezuela. Also in 2008, Argentina had a per capita consumption of 41 liters, which placed it 60th in the world. (Cámara de la Industria Cervecera Argentina, 2008).



As beer drinkers learn more about beer and become further intrigued with the different flavors and varieties, they are increasingly switching to artisanal beers, or microbrews. Microbrews

offer a more sophisticated value added product than a mass produced beer, which is still the top choice of consumers. Also, due to more exposure to international trends, the knowledge of food and drinks in Argentina is improving, which leads to more experimentation with products like microbrews. Argentine beer drinkers generally prefer lighter styles of beer, however a new dark beer market is beginning to appeal to these buyers (Euromonitor International, 2008). With Samuel Adams wide array of offerings, a beer consumer in Argentina should be able to find a variety of styles to suit their tastes.

Even with the emergence of the microbrew market, the standard beer market share in Argentina is still at 81%. A standard beer is one such as Quilmes Cristal, which is the most popular beer in Argentina (Euromonitor International, 2008). However, Quilmes is also starting to venture into the craft beer market with offerings such as Stella Artois, Patagonia, and Warsteiner. A craft beer is made using a traditional process of blending the sugars from malted grains, with hop flowers and water. The skill of the brewer brings out the desired aroma, color, mouth feel, foam, and flavor qualities of the hops and malt through formulation of recipes and the fermentation of sugars into alcohol, carbon dioxide gas and other characters. After careful aging at just the right temperatures the beer is packaged and delivered to the consumer (Brewers Association, 2009).

With the presence of strong national brands, imported beers have traditionally not fared very well. Due to limited distribution networks, those beers which are imported, such as Guinness, Corona, Kilkeny, and Miller, often have significantly higher prices. With the high concentration of Argentinean beer and the prohibitive logistical cost of distribution, a potential entrant into the market would face many obstacles blocking success. With that being said, if we factor in the changing palate of beer consumers in Argentina, coupled with the rise of the premium, craft, and microbrew market, Samuel Adams estimates it should be able to gain about four to five percent of the market, which would produce estimated sales of 365,700 to 548,550 liters, resulting in \$2,766,745 to \$3,458,431 in sales dollars.

Industry and Competition

The Argentinean beer market is a very saturated and competitive market. The competitors in the market are mostly foreign companies who have bought the Argentine brands and have begun to market them on their own. This strategy is very powerful because Argentines are often loyal to their brands. Quilmes is considered their national beer. The market in Argentina is growing however, and does provide opportunities for new entrants into the market. Per capita consumption of beer has been steadily rising for the last 3 years, and is only expected to increase (mundoandino.com).

The biggest competitor is InBev, a Belgium company that through its South American branch, AmBev (based in Brazil), it offers brands such as Brahma, Imperial, Liberty, Iguana, Bieckert, Palermo, Norte, and Andes. AmBev and Quilmes International S.A. (also known as "Quinsa") entered into a strategic alliance in 2006, which allowed both companies to synergize their revenues and increase their market share through a merger. Through this alliance, a series of

acquisitions of shares took place which allowed AmBev to earn a 91.18% economic interest in Quinsa, thus gaining control. It is planned that AmBev will fully acquire Quinsa in the future. Quinsa now holds an executive license to produce and distribute AmBev brands in Argentina. With the control of Quinsa, AmBev now supplies about 78.2% of the market in Argentina. In Argentina, revenue heavily depends on whether or not a company can obtain an excellent distribution channel. Quinsa distributed their beer through 204 independent distributors, which made up 76.4% of their total revenue in 2006. The distribution channels are highly contingent on contracts and lead to success in the market (Quinsa, 2007).

Recently, due to AmBev's strategic alliance with Quinsa and the clear dominance of the market, they have been forced to sell off several assets by the Brazilian and Argentinean governments. The Brazilian anti-trust agency, CADE, forced AmBev to sell as a package five plants located in five strategic regions of Brazil, as well as its successful Bavaria brand. Also, after AmBev's acquisition of Quinsa, Argentina's Comisión de Defensa de la Competencia ruled that AmBev was required to sell its Lujan brewery in Argentina, as well as dispose of three of its smaller brands: Beickert, Palermo and Imperial. This was completed as of December 31, 2006. These brands held seven percent of the total volume of sales in 2006, thus with the loss of these minor brands, it is expected that AmBev's market share may decrease. With that being said, it is still difficult to compete with the market leader (Quinsa, 2007).

The Chilean company and a market leader in its home country (currently at an 89% market share), Compañía Cervecerías Unidas S.A. (CCU), also entered the Argentinean market through a subsidiary CCU Argentina. CCU Argentina is owned by Compañía Cervecerías Unidas S.A. (CCU) and Anheuser-Busch with interests of 96% and 4%, respectively. In order to compete with the market leader, AmBev, CCU has bought several Argentinean breweries, including Compañía Industrial Cervecera Salta S.A. and Cervecería Santa Fé S.A. The company is the second largest player in Argentina which allowed them to gain a 16% market share. CCU Argentina offers several brands in Argentina, including Cristal, Escudo, and Dorada. CCU also has licensing agreements with Heineken, Budweiser, Corona, and Guinness to distribute their products in the respective markets (Funding Universe, 2008).

The loosening of AmBev's grip on the Argentinean market opens up an opportunity for new breweries to enter the market and grab some of the market share that AmBev was forced to give up. Argentina has had a steady population growth as well as an increase in the per capita consumption by nearly 8 liters in 5 years; so despite the fact that there are several large, well established competitors already in the market, there is still an opportunity for Sam Adams to partner with a local brewer, and begin competing with AmBev and CCU.

Cultural and Social Analysis

The official language of Argentina is Spanish and also the most widely used business language of Argentina. However, there are many different languages spoken throughout the country, primarily in larger cities such as Buenos Aires. English is spoken among many of Argentina's middle class, which is mainly composed by the business class. English is considered the second

most dominate business language in Argentina. Argentines sometimes prefer conducting business in English, because it signifies their advanced education system. Portuguese is the third most widely used language in Argentina among the business class. Due to the diversity of languages used in business, knowledge of numerous languages is important with regards to conducting business in Argentina. Aside from the most common business languages, the following languages are also spoken: Italian, French, Yiddish, German, Arabic, and many languages from East Asia (Malonis, 2009). For our purposes we will be conducting business in Spanish and English if possible.

Religion is significant to Argentines. The largest religion following in Argentina is Roman Catholic, which makes up 92% of the population (CIA, 2009). However, only 20% of these members actually practice, which would suggest that religious practices do not dominate other life aspects as they do in other Latin American countries. The remaining eight percent of the population follow Protestant (2%), Jewish (2%), and other religions (4%). The President and Vice President of Argentina are required to be Roman Catholic. (See Appendix A, Chart 1). Therefore, a thorough understanding of Roman Catholicism is important when conducting business in Argentina (CIA, 2009).

According to Geert Hofstede's cultural Dimensions, Argentina is very similar to many other Latin American countries where over half of the population is Catholic (See Appendix A, Charts 2 and 3). Argentina ranks very high on Uncertainty Avoidance with a score of 86. This means that the people have a low tolerance for risk and uncertainty. Control is very important to the culture in an attempt to avoid uncertainty. This is seen in their implementation of strict laws, policies, and regulations (ITIM International). Argentina tends to be slightly more collective and less individualistic, meaning that the people focus more on society as a whole and the needs of the group rather than individual needs. The Power Distance score of Argentina implies that the people accept that power is unequally distributed both in society and within the family. Society follows the government policies without much opposition, just as younger family members will defer to the family patriarchs, especially the males. Argentina has a relatively high Masculinity score, meaning that there is an emphasis on ambition, acquisition of wealth, and a differentiation of gender roles within society. More males will be found within the business world or in positions of power. Women are seen more as the caregivers and less women are found in the business world, although more and more women are found working.

Argentines follow strict etiquette in business conversations. Argentines are expected to place considerable attention to style and quality of appearance. This standard highly dictates the dress of businesswomen. Argentine counterparts often misunderstand foreign businesswomen that do not wear make-up or accessorize their attire. There is also a strong regard towards talking with ones hands. This often causes foreigners to misinterpret their enthusiasm. Time conception varies widely from the United States. Argentines are often described as following polychronic time, where personal communication and involvement has a greater importance than following a schedule. Foreign business partners should understand that the importance is not placed on being timely, and being late to a meeting would not be considered to be rude. However, foreign business partners are expected to be on time to a meeting even if the

Argentine business partners may not be on time. In Argentina, there is an emphasis on family ties. One's immediate family is often considered one's cousins, aunts, uncles, in-laws, nephews, nieces, and godparents. When a businessperson is setting up a meeting with higher authority, the importance of family ties must be considered due to the fact that a foreigner often will not be able to meet with a higher authority without a connection through a family member.

Argentines are tough negotiators. Contracts are lengthy and need to be formally written and signed. Portions of a contract are often later renegotiated. An Argentine contact is essential to doing business in Argentina. The bureaucracy will not do business with you without these contacts. Relationships are very important and need to be formed before doing business. Numerous and lengthy meetings are considered normal. The pace of business is somewhat slower than in the U.S. The work day can often last until 10pm and meetings are commonly held as late as 8pm. Dinner meetings are very popular and usually held at a restaurant. Business lunches however, are uncommon outside of Buenos Aires since most people go home for lunch. If you have dinner at someone's house it is customary to bring a gift. Avoid personal items such as shirts or ties. Flowers (especially birds of paradise), candy, or a bottle of scotch are highly appreciated gifts. Be careful with wine. Wine is held in high esteem and usually supplied by the host. Never pour wine backhanded. It is seen as a sign of disrespect and hostility (Nicol).

Education is highly regarded in Argentina. Argentina has a 96.2% literacy rate and the highest percentage of university graduates in Latin America. When conducting business in Argentina, education of the counterpart should be known, this can also determine if they would rather conduct business in English, as noted above. Due to the emphasis on education, women are accepted in the business class; however, gender-based etiquette varies from other cultures. Due to their progressive nature, Argentines may comment on a businesswoman's appearance or look at someone of the opposite sex. Argentina does not view nonphysical sexual interest as harmful to women. Often times this is misunderstood and foreign businesswomen are offended by the openness of Argentines. It is important to understand that this type of gender-based etiquette indicates good business matters in Argentina, and comments are not made to be offensive (Malonis, 2009).

Argentines place great emphasis on their agricultural sector, therefore many other products are imported from around the world. Argentina is the United States second largest trading partner after Brazil. The agreement of the Free Trade Areas of the Americas (FTAA) boosted trading between these two countries. Argentina is very accepting of foreign products, but they rely heavily on their production of agriculture as a domestic product, and also to export to numerous countries. There are some restrictions relating to exporting to Argentina, however. Foreign corporations must establish a branch in Argentina to carry on habitual activity and one individual must be the company's legal representative. Independent distributors are an essential part of one's business in Argentina. They allow for businesses to deliver products in a timely matter, but companies are still faced with increased competition and pressure to lower one's price. Direct marketing and advertising is often a successful tool to increase sales of a foreign corporation in the new market. Finally, local attorneys are recommended to ensure that all deals will benefit both parties (Storz, 2008).

Argentines have many different customs and traditions that they follow. Argentina is world renowned for their wine, wine tasting are often common and wine is readily available at most restaurants. Most restaurants serve a range of liquors, including beer. Beer is generally offered on draft and served in small glasses. If a particular beer is not on draft, it is often served in a can or a glass bottle. Light beer is generally more popular and aside from local brands, Argentina also imports Warsteiner, Heineken, Budweiser, and Corona. Beer is also served at small pubs and bars, mainly located in Buenos Aires. Argentines also have a strong regard towards beef, which could be an excellent pairing to Sam Adams beer (WikiTravel, 2009).

Argentines place a high value on institutions of art, history and music. Museums are common in the nation's large cities and are very well maintained. Visual arts and architectural designs are prominent features within society. They are a very visual people. One of Argentina's cultural hybrids is the tango, a romantic style of music and dance, though pop music is becoming more popular among the youth. The fine arts of Argentina typically find their inspiration from Europe and Spain. Sports are also highly popular. Horse racing and polo reflect the divided social class. The wealthy and middle class often participate with these sports, whereas the lower classes favor more contact sports like rugby and the national favorite, football (soccer). Game shows and soap operas are popular among Argentines, and while more citizens are buying PCs and there are several daily newspapers, most television and radio stations are privately operated. Samuel Adams will be targeting towards the youth and low to middle classes. Thus, Samuel Adams may want to consider advertising at Rugby and football events, rather than horse racing or polo (Argentina, 2009).

Profile

The typical Argentine would be a white catholic between the age of 18 and 65. Around 90% of the population is Caucasian, of European decent. Also, like most Latin American countries, over 92% of the population is Catholic. The average age of Argentineans is around 30 years old. The country does have a very low birth rate (about .94% per annum), and the country also enjoys a long life expectancy of about 75 years. This combination of a low birth rate and long life expectancy means that the country has an aging population, which may be a problem for the country in the future (much like Europe and the U.S. are experiencing now); however, for Sam Adams this means that a greater percent of the population will be over the legal drinking age.

The total population in Argentina is 36,260,130. Eighty percent of the population lives in cities and the urban setting. Approximately one-third of the total population lives in Buenos Aires (12 million). This urban population is also well educated, especially by Latin American Standards. The official language of Argentina is Spanish, and over 98% of Argentineans are able to read and write in their native language. As noted above, Argentines take great pride in their education system. Language education, especially English, is considered important in Argentina; over 42% of Argentineans claim to be able to speak English (however, only 12% claim to be fluent).

Argentina is considered to be one of the richest countries in South America. While Argentina has experienced some economic problems throughout the end of the 20th and the beginning of

the 21st century, over 75% of the country is considered to still be over the poverty line. The World Bank classifies Argentina as a secondary emerging market, or an upper-middle class economy when compared to the rest of the world.

The lifestyles of Argentines varies with the region that they live in. Typically Argentines enjoy football and polo. At these polo events it is typical that the players will drink a glass of beer before the match begins. However, Argentines have a preference for beef and red wine. Persuading wine drinkers to switch to Sam Adams will be a big challenge, but it would secure our spot in the market.

The Customer Profile of target customer for Sam Adams would be a Caucasian of European decent aged between 18 and 25. (We will target males within this age group as research shows that more men favor beer in Argentina than women.) He would of the Roman Catholic religion, would most likely only have one child, and would live in an urban center. He would be literate and above the poverty line. The customer does not have to be in the middle class; however, he would need to have enough disposable income to enjoy the beer style of his choice on a regular basis. There is about a 50% chance that he will be able to understand English, but it is not necessary that he does understand English. The typical Argentine consumes between 30 and 40 hectoliters of beer per year. The goal of our operation will be to increase the amount of consumption and occurrence of casual beer drinkers. As well, we would like to find the best ways to appeal to wine drinkers and draw them to switch to Sam Adams.

PART II: TECHNICAL, FINANCIAL, AND ORGANIZATIONAL ANALYSES

Technical Feasibility

Imported beers have yet to become a strong force in the Argentinean market. This is mainly due to the strength of national brands, and the fact that imports carry significantly higher prices. This is because of a limited distribution network, and a prohibitive logistical cost of production. However, a few leading brands, such as Heineken, Budweiser, and Stella Artois have successfully set up in production in Argentina through a joint venture with Schneider Beer Company (Euromonitor International, 2008). Another hurdle to entry are the returnable glass bottles that are utilized by local Argentinean brewers to help keep the costs down, thus posing a problem to new entrants who have to match the distribution of the incumbents. One recent entrant into the Argentinean beer market that has faced all these challenges and can be used as a blueprint is Brahma beer, a Brazilian company. Brahma had to endure a high cost to come in and set up production networks, but have been able to successfully capture a respectable share of the market (Euromonitor International, 2008).

If Samuel Adams were to come in and establish their own distribution facilities, the power, water, and labor infrastructure would be sufficient for such a venture. Argentina is currently the third largest power market in Latin America (Cammesa, 2009). The power production in Argentina is made up of thermal plants burning fossil fuels (54%), hydroelectric water plants (41%), two nuclear plants (4%), renewable energy resources rounding out the rest (Cammesa, 2009). According to the World Health Organization, 91% of Argentineans have sanitary water available for their consumption, with Buenos Aires leading the way as the most populous city (WHO, 2006). Therefore, if Samuel Adams were to set up production facilities in Argentina, the large urban centers would be the ideal locations as they will be able to supply the best energy and power infrastructures in the country. Also, the urban labor force in Argentina consists of 16.27 million workers, with services accounting for 76%, industry 23%, and agriculture a mere 1% (CIA, 2009). If Samuel Adams were to set up a brewing facility, a willing a ready local work force would be available.

In the end, the best avenue for the distribution of Samuel Adams beer will probably be through a partnership with a local brewery already established in the region. This avenue will allow Samuel Adams to enter the market quicker, and not incur all the costs of building manufacturing operations and setting up logistical networks. In order to reduce capital expenditures with creating a distribution network from the ground up, and to gain entrance to the market more quickly, Samuel Adams would be well inclined to follow in the footsteps of other importers and partner with Compañía de Cervercerias Unidas Argentina, or CCUA, which also produces Schneider Beer. In 2006, the CCUA was the third largest beer producer in Argentina with a market share of 16% (The Andean World, 2007). In addition to this, they are the official importer for the foreign brands of Heineken, Budweiser, Corona, and Guinness. The CCUA initiated operations in Argentina in 1995 and have since built two manufacturing operations in the cities of Salta and Santa Fe, the eighth and ninth largest cities in Argentina, respectively (Indec Web, 2009). Schneider also maintains distribution points in Buenos Aires, Cordoba, and Rosario.

In order to ensure the quality that Samuel Adams prides itself on, the special ingredients we use will be imported directly from their headquarters in Boston. Since Boston and Buenos Aires are both coastal cities with very active ports, a shipping arrangement should be able to be established that will allow Samuel Adams to keep consistent quality without much additional cost. With the infrastructure and track record that Schneider Beer Company and CCUA have already established in Argentina, it would be advantageous for Samuel Adams to utilize their resources in the form of a production agreement. This would not only save money, time, and resources for Samuel Adams, but also allow our various brands of craft brews to reach the market more efficiently.

Financial Feasibility

Country Economic Analysis

Argentina had a GDP of \$585 billion in 2008 (using purchasing power parity), and this number is growing at 6.6% per year, according to the CIA World Factbook. With a population of just under 41 million, the country's GDP per capita was \$14,500 in 2008. Last year Argentina imported \$59.9 billion worth of products, and it exported \$73 billion. The major export commodities for Argentina are soybeans and derivatives, petroleum and gas, vehicles, corn, and wheat. The major commodities which Argentina imports are machinery, motor vehicles, petroleum and natural gas, organic chemicals, and plastics. Argentina has historically had severe problems controlling inflation; however, since 2001, the exchange rate has remained relatively stable. Over the past 12 months, the US dollar has been steadily appreciating against the Argentinean Peso, and as of March 27th, 2009, the exchange rate was 3.769 pesos/dollar (CIA, 2009).

Argentina has what could be called a "fragmented economy," meaning that they do have a relatively high degree of income inequality. The Gini index is an estimate of inequality. "It measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index score of zero implies perfect equality while a score of 100 implies perfect inequality" (World Resource Institute, 2008). For the period 1992-2005 Argentina scored a 51.3 on the Gini Index. This is a high score among countries in any part of the world; countries such as Zimbabwe, Sierra Leone, and Viet Nam scored lower than Argentina (meaning that according to this index they have less inequality in the distribution of income).

There are many import tariffs that govern the importation of Beer into Argentina. These tariffs are similar to other countries and would not result in significant costs. Beer also has the lowest excise tax of any other products. Beer has a 4% excise tax, whereas soft drinks have a 24% excise tax, and hard liquor has a 30% excise tax. Licenses are not required for general imports, only automobiles require a license. According to Argentina's Commercial Loyalty Law, packaged products sold in the country need to include on the label the product description. The description contains: the country of manufacture; its quality, purity or composition; and its net size. This information must be in Spanish and sizes must be metric. Importation of foodstuffs needs to be registered with the Argentine health authorities and requires a label listing the ingredients and expiration date (Argentina Customs Guide, 2009).

Production Costs

Production costs for a new brewery are very capital intensive. In Sam Adams 2006 10-K, they estimate that costs for a new plant in Assonet, Massachusetts would cost between \$170 and \$210 million (Boston Beer Company). This, however, would be their main brewing facility in the United States so not all costs can be translated to a small regional brewing facility. Based on an estimated 365,700 to 548,550 liters of beer, it would not be in the best interest for BBC to

establish a production facility in Argentina. Sam Adams has historically entered into production arrangements with third-party Brewers. This allows the company to utilize excess capacity of other companies, which results in flexibility and cost savings in distribution (THE BOSTON BEER COMPANY, INC. FORM 10-K). The BBC should follow the same strategy when entering the Argentinean Market. The BBC would enter into an agreement with either AmBev or CCU. This agreement would contain provisions that allow for the company to ensure quality assurance.

Based on the company's plan of utilizing excess capacity of existing brewers, no additional capital would have to be raised. If BBC were to establish a permanent brewing facility within the country, the most practical way would be a mix of equity and debt. The Board of Directors of BBC requires that the company maintain a consistent debt to equity ratio. This requires that any new capital outlays would be financed through current operations or a proportional equity and debt offering. The board of directors must approve all new capital projects.

Besides the actual production facility there are numerous other costs associated with brewing beer. The most obvious cost is raw materials. Raw materials for beer include, malt, hops, yeast, specialty ingredients and packaging materials (SEC). These materials vary in price, but all ingredients are purchased in bulk for specified production runs. Hops represent a significant portion of raw material costs due to supply shortages of hops. Packaging materials are provided from limited supplies that meet company specifications (THE BOSTON BEER COMPANY, INC. FORM 10-K). Along with raw material costs there are equipment costs, personnel costs, and company overhead. Equipment costs include any specialty equipment we must provide the bottler. We also pay the employees that are producing our beer. The remaining cost is company overhead, which is made up of the plants allocated overhead and overhead of BBC's corporate offices. There would be some additional costs associated with a licensing agreement. Most licensing agreements require that we pay a certain percentage of gross revenues to CCU. This type of payment would be a commission for brewing and distributing our beer to our customers in Argentina. Based on our analysis of Argentina, there will be no unnecessary "facilitating payments" for production. We are not required to be licensed, but we do need to comply with Argentina's 4% excise tax and maintain our registration with the Argentinean department of Health (Argentina Customs Guide, 2009).

Organizational Feasibility

Country Political and Legal Feasibility

Argentina has bilateral trade agreements and negotiations with the United States, so any products imported into Argentina would be affected by political and legal customs and guidelines in the host country.

When it comes to the political and legal regulations in the Argentine market there are two basic categories: local food production and imports. "Local food production and marketing regulations are set in the Código Alimentario (Argentina Food Code); however, these standards

are being gradually replaced by Mercosur regulations” and will affect the alcohol industry (PMA, 2009).

Imports are regulated by three government bodies: SENASA, INAL, and INV. SENASA (National Service of Agricultural and Food Safety and Quality) deals with “fresh, chilled and frozen products and by-products of animals and plants” (PMA, 2009). Local importers must request an import permit and be approved by Customs before the product is released. Products released through SENASA must have a label in Spanish with the importer’s name and address, country of origin, establishment of origin, ingredient declaration, temperature maintenance requirement, and minimum durability. Any product labeled as organic must “originate from a country whose organic standards have been approved by SENASA and found equivalent to Argentine organic regulations” (PMA, 2009).

INAL (National Food Institute) “regulates processed food products intended for direct human consumption, health supplements and all beverages except wine” and wine products (PMA, 2009). Local importers must obtain and submit to Customs a “Certificate of Free Circulation” before the product can be released (PMA, 2009).

INV (National Wine Institute) is the regulator of wine and wine products. Importers must request an analysis and shipment control by INV as soon as the product arrives at a local warehouse before being granted a “Certificate of Free Circulation” (PMA, 2009).

As typical of an industrializing economy, Argentina currently faces environment issues such as deforestation, soil degradation, desertification, air pollution, and water pollution. However, they are also one of the leading nations for setting voluntary greenhouse gas targets (CIA, 2009). Environmental policies such as these are issues to be aware of before conducting business in Argentina.

Politically, Argentina exists in a stabilized environment protected by many policies and activist groups. Some issues to look into before conducting business would be the constraints of the "Argentine Industrial Union (manufacturers' association); Argentine Rural Confederation or CRA (small to medium landowners' association); Argentine Rural Society (large landowners' association); Central of Argentine Workers or CTA (a radical union for employed and unemployed workers); General Confederation of Labor or CGT (Peronist-leaning umbrella labor organization); White and Blue CGT (dissident CGT labor confederation); and of course, the Roman Catholic Church " (CIA, 2009).

Company Organization

BBC has considered the types of corporate structures that Samuel Adams can operate under, such as direct foreign investment, joint venture, licensing, or exporting. Due to the fierce competition, strict legal regulations, and dominance of AmBev (78.2% market share) in the beer industry, BBC recommends that Samuel Adams enter Argentina under a licensing agreement. The second largest competitor, CCU Argentina (16% market share), has already developed

licensing agreements with popular international beer manufacturers such as Heineken and Budweiser. CCU Argentina also is the sole importer of Corona, Guinness, Negra Modelo, and Paulaner. Sam Adams should approach CCU Argentina to create a licensing agreement to manufacture Samuel Adams brand in Argentina (CCU, 2008).

Samuel Adams should request a ten-year licensing agreement renewable for subsequent periods of five years in exchange for exclusive rights to produce, sell, and distribute within Argentina. Samuel Adams will also offer technical assistance to CCU Argentina under this contract. By establishing this type of corporate organization structure Samuel Adams will not have to open a plant in Argentina or be required to recruit employees. This will require only a small amount of capital and the risks of the contract will be relatively low. However, Samuel Adams should hire legal council to ensure that the licensing agreement will benefit both parties (CCU, 2008).

Due to AmBev's dominance over the beer industry after the AmBev-Quinsa merger, the Argentine government has begun to intervene in the beer industry. AmBev was required to dispose of its successful brand, Bavaria, and three smaller brands, Beickert, Palermo, and Imperial. We strong believe that this will give Samuel Adams bargaining power with CCU Argentina to develop a licensing agreement. As a result of these disposals, AmBev is likely to loose market share. This is the perfect opportunity for CCU Argentina to increase their market share in Argentina through a licensing agreement with Samuel Adams. We expect to obtain a successful licensing agreement through negotiations with CCU Argentina (Quinsa, 2007). Once negotiations occur and a licensing agreement is agreed upon, Samuel Adams and CCU Argentina must register the licensing agreement with the Public Commercial Registry at the Office of the Inspector General of Justice's office in the Federal Capital (McEntire, 2009).

Conclusion

SWOT Analysis

Strengths

- Excise tax for beer (4%) is significantly lower than for soft drinks (24%) or hard alcohol (30%).
- CCU Argentina has many licensing agreements with international beer manufacturers, thus it is reasonable to expect CCU Argentina to accept a long-term licensing agreement.
- The GDP in Argentina is \$14,500 which is a suitable GDP for the beer market.
- Little capital would have to be raised and no employees would have to be hired or brought from the United States if Samuel Adams entered into Argentina under a licensing agreement, as recommended.
- Argentina conducts business primarily in Spanish and English. Samuel Adams will be able to negotiate with CCU Argentina through their native language of English or through a Spanish interpreter.

Weaknesses

- Production costs for a new brewery are very capital intensive. Estimated costs are between \$170 and \$210 million; this makes direct foreign investment unfeasible.
- Ninety four percent of the market is controlled by two companies: AmBev and CCU Argentina.
- There are limited distribution networks in Argentina. Distribution networks are a key component in regards to success in the Argentine market.
- Argentines are tough negotiators, which may result in alterations to the original offer of the licensing agreement with CCU Argentina.
- The Argentinean beer market is very saturated and competitive.

Opportunities

- If the licensing agreement with CCU Argentina succeeds, Samuel Adams could form an export agreement with CCU Argentina to produce Samuel Adams in Argentina and export the beer to surrounding countries, such as Chile and Brazil.
- If the licensing agreement is successful, Samuel Adams could approach beer manufacturers in countries where market entry is ordinarily impractical.

Threats

- By entering into a licensing agreement, poor quality may lead to a tarnished reputation.
- Licensing contract may not be enforceable in different jurisdictions (ex: United States).
- Argentines appear to prefer microbreweries and local brewing companies. They consider Quilmes their national beer.
- Argentina has a very profitable wine market, which could deter customers from Samuel Adams.

Conclusion and Recommendation

The largest risk for entering the Argentine beer market under a licensing agreement is that CCU Argentina could reject our proposal for a licensing agreement. CCU Argentina could also offer unreasonable terms that would make Samuel Adams unwilling to accept the licensing agreement. If this happened, Samuel Adams would have to determine if they were willing to accept the terms or if they wanted to approach a different beer company to offer a licensing agreement. However, we reason to believe that CCU Argentina will agree to reasonable terms that will be advantageous to both parties.

Another risk of licensing is maintaining a high standard of quality under the agreement. Subpar quality could easily tarnish Samuel Adams reputation; therefore, Samuel Adams must be able to monitor quality under the licensing agreement. Contract enforceability can be an issue in regards to licensing. BBC recommends that Samuel Adams hire legal counsel to develop and make amendments to the licensing agreement so that it is enforceable (in Argentina and in the

United States) and advantageous to both parties. Samuel Adams should be aware that payment terms need to be explicitly stated for the first term of the contract and for subsequent renewals. These risks, however, are not considered to be significant at this time.

Based on the above conclusions that the risks are not significant and the fact that fierce competition and strict legal regulations will not levy for direct foreign investment or joint venture, BBC recommends that Samuel Adams contact CCU Argentina to form a licensing agreement. We expect that a licensing agreement will be favorable in the Argentina beer industry and will be the best way to enter the Argentine marketplace. Samuel Adams will be able to enter Argentina with little capital and only a small amount of risk. This will be a great way to test the strategy of licensing and if it is a success, Samuel Adams can approach other beer manufacturers to create similar licensing agreements in countries which market entry would be ordinarily be impractical.

PART III: MARKETING PLAN

Situation Analysis

Samuel Adams has been a successful beer manufacturer in the United States since 1985, and recently expanded their success in the international market. Samuel Adams has been able to develop a niche of buyers that demand high-quality American beer. In an effort to further expand in the international market and explore the opportunities in the South America, Samuel Adams has contacted us, BBC, to develop a comprehensive plan to enter Argentina's beer market.

Jim Koch was determined to develop a handcraft quality yet flavorful beer. His dream became a reality when he brewed his first batch of Samuel Adams Boston Lager® in his kitchen in 1984. Soon after, he started The Boston Beer Company, Inc. to be brewed using only the world's finest, all natural ingredients. Koch chose to brand his beer under the name "Samuel Adams" after the Boston patriot. He introduced his brand to the public on Patriot's Day on April 1985, in the city of Boston. Samuel Adams has been a successful brand in the United States and internationally because of its focus on "being the best, not the biggest". They have recently developed a popular advertising campaign of "take pride in your beer" to reflect on their enthusiasm of the brand. The company has won numerous awards throughout the years and has been recognized many times in the "better beer" category. However, Samuel Adams is limited in their size and capital. At December 31, 2008, Adams had approximately \$9 million on hand, which will not be sufficient for capital-intensive projects. (Samuel Adams, 2009)

Argentina's beer market is heavily saturated and compromised of fierce competition. The market is dominated by AmBev and CCU Argentina, which controls 78% and 16% of the market, respectively. The market leader will heavily contest any new entrants to defend its market share. The remainder of the market is primarily made up of small microbreweries; however, these two main companies make up 94% of Argentina's current beer market. This will be a significant challenge for Samuel Adams to overcome.

Argentina does have legal restrictions that may affect Samuel Adams entry into the market. The Argentine government recently forced AmBev, the market leader, to dispose of product lines. This could affect Samuel Adams in the future, and they must be aware that government intervention is a possibility. There are also special certificates that need to be obtained before any products can be released through customs. This will affect Samuel Adams if any product or ingredients are required to be imported. The government also requires that US Companies that conduct regular business in Argentina must set up a branch in Argentina. In order to accomplish this, Samuel Adams would have to set up an office and plant in Argentina (McEntire, 2009). We have already determined that this would be unfeasible, based on the amount of market share we expect to capture (2-3%).

Even though it appears it may not be advantageous to Samuel Adams to enter Argentina under most company organizations, we have developed a plan to enter Argentina through licensing. Under a licensing agreement, Samuel Adams will not have to invest a significant amount of capital to enter the market, and will benefit in royalties from the licensing agreement. We have decided to approach CCU Argentina to develop a licensing agreement, to start with a 10-year term. We expect that this licensing agreement will be a success; however, BBC expects that Samuel Adams may experience risks such as rejection of the licensing agreement or decreased quality of the product produced in Argentina.

Target Market and Positioning Strategy

The primary target market for Samuel Adams in Argentina will be young males aged 18-25. However, the secondary market will be all males aged 25-65. Traditionally men are the largest consumers of beer in Argentina. The current population of Argentinean males aged 15-64 as of January 2009 is 12,961,725; this is an increase of 154,240, or 1.2%, since July of 2007 (CIA, 2009). An estimated 23% of the population has an age range between 15-29 (Altepedia, 2008). Since the breakdown in population of Argentina is 48.9% males, we can better identify that our target market consists of about 4.6 million young males.

When a young Argentinean first experiments with alcohol, their beverage of choice is usually beer. Traditionally, beer is cheaper than its alternatives and has a lower amount of alcohol, this helps to calm the fears of first time drinkers about the effects it may have on them. Since beer is usually their first foray into alcohol, many stay brand loyal to their first drink of choice. If Samuel Adams can be the first beer they come into contact with and can be establish it as a fun, fulfilling beverage, they can be on track to developing a customer for life.

For 18-25 year old Argentinean males who want specialty craft brewed beers, Samuel Adams is a microbrew that provides flavorful refreshment. Unlike Quilmes Cristal, Samuel Adams has a variety for every occasion. As Argentinean beer drinkers learn more about beer and become further exposed to the different flavors and varieties, they are increasingly switching to artisan beers, or microbrews. Microbrews offer a more sophisticated value added product than a mass produced beer, which is currently still the top choice of consumers, but is steadily facing competition from microbrews. Also, due to more exposure to international trends, the

knowledge of food and drinks in Argentina is improving, which leads to more experimentation with products like microbrews. Another option starting to appeal to Argentinean beer drinkers is the dark beer market; this is due to a rise in popularity of Irish Pubs, where the whole pub experience gives the feeling of a connection with the outside world (Euromonitor International, 2008). With Samuel Adams wide array of offerings, our primary and secondary target markets should be able to find a variety to suite their tastes.

During 2007, beer sales in Argentina grew by 14%. In total beer sales, this ranked them the fourth largest market in Latin America, behind Brazil, Mexico, and Venezuela. Also in 2007, Argentina had a per capita consumption of 41 liters, which placed it 60th in the world (Cámara de la Industria Cervecera Argentina, 2007).

Samuel Adams goal within the first year of entering the Argentinean market is to claim a market share of 4-5%. With current market trends and sales projections, this should result in sales of about 731,400 to 914,250 liters, and sales of \$2,766,745 to \$3,458,431 (pintprice.com, 2008).

Brahma Beer, a Brazilian beer, can be used as a measuring stick for Samuel Adams performance in Argentina. Brahma has been a recent entrant into the market. They had to build their networks from the ground up and faced substantial obstacles. However, they were able to prevail and gain a respectable share of the market. While Samuel Adams will not be following in the exact footsteps of Brahma, their growth record should be a viable way for Samuel Adams to gauge its sustainability.

Marketing Mix Strategies

Product

At BBC our most famous beer is the Samuel Adams Boston Lager, and it is considered “the best example of the fundamental characteristics of a great beer, offering a full, rich flavor that is both balanced and complex” (The Boston Beer Company, 2009). It is brewed using a decoction mash, a traditional, time consuming process that brings forth a rich sweetness from the malt that makes it well worth the effort. Samuel Adams uses only the finest of ingredients including “two row barley, as well as German Noble aroma hops” (The Boston Beer Company, 2009). The exclusive use of two row barley not only imparts a full, smooth bodied flavor, but it also sets BBC apart from the rest of the beer market.

We also have a Samuel Adams Light, a variety of seven seasonal beers, eleven styles in our Brew Masters Collection, three Imperial style beers, and six styles in our Extreme category. With our wide selection of beers and our reputation for high quality, full-bodied beers, we are confident that we have the perfect style for any beer lover – and plenty of lure for newcomers. The Argentinean beer market is just beginning to expand, and BBC feels that Samuel Adams beer will be well received and capable of holding consumer loyalty through variety and quality beers (The Boston Beer Company, 2009).

Samuel Adams' products hold a competitive advantage through their reputation of quality and in their history of loyal consumers. The Sam Adams brand is recognized internationally, and their secret recipes and traditions have yet to be duplicated. This makes the Samuel Adams Company and its products one of a kind.

Price

Samuel Adams has contacted CCU Argentina for a licensing agreement. BBC has conducted market research to show CCU Argentina an estimation of profits under the licensing agreement with Samuel Adams. The average price for a pint of larger beer in Argentina is \$0.75 ARS or approximately \$1.49 USD. Since we are targeting 18-25 year old males in middle to lower class standings, BBC expects CCU Argentina to set their prices starting just below the average at \$0.70 ARS or about \$1.29 USD. Our specialty beers will range from \$1.29 to \$1.69 USD. Our prices will attract our target market, but we fully believe Sam Adam's reputation and variety will bring in a percentage of the higher class as well (PintPrice.com, 2009).

With Cerveza Quilmes capturing 80% of the Argentina beer market, our main competitors to begin with will be other foreign beers such as Heineken and Budweiser (Wikimedia Foundation, 2008). We hope for CCU Argentina to capture 2-3% of the market within the first 2-3 years, but our long term goal would be to capture 5% of the market and infiltrate other South American countries through our introduction into Argentina. Argentina is like the Napa Valley of South America when it comes to alcoholic beverages, especially wine. But where there is wine there is usually beer as well, and we feel that Argentina represents a great opportunity for our product introduction.

As we will be licensing with CCU Argentina, BBC plans to take a 15% cut of profits. With the price set between \$1.29 and \$1.69 USD and costs of production averaging \$0.76 USD per beer, BBC plans to take roughly \$0.12 USD a beer. CCU Argentina will have the ability to make adjustments in price as fluctuations or inflations occur. CCU Argentina should make approximately \$0.62 per beer. This is an excellent profit margin; therefore, we expect CCU Argentina to accept our licensing agreement in order to increase their market shares. However, BBC maintains the right to question any change in price and research the issue independently before reaching a mutually consistent adjustment.

Estimated Profits from Licensing Agreement (in US \$)

	Average Single Larger	Premium Brands
Retail Price (sold by CCU Argentina)	\$ 1.29	\$ 1.69
Production costs (incurred by CCU Argentina)	<u>\$ 0.76</u>	<u>\$ 0.76</u>
Gross margin	\$ 0.53	\$ 0.93
Licensing profit paid Samuel Adams (15%)	<u>\$ 0.08</u>	<u>\$ 0.14</u>
Profit per bottle for CCU Argentina	<u>\$ 0.45</u>	<u>\$ 0.79</u>

Distribution

BBC plans to enter the Argentinean beer market through the use of a licensing agreement with one of the leading producers in the region. Our company's choices for a business partner are rather limited by the fact that our market is dominated by only two companies, AmBev and CCU, who own over 90% of the market share. CCUA (Compania de Cervecerias Unidas Argentina) is the Argentinean branch of the Chilean based company CCU. CCUA would be the ideal company to enter into a licensing agreement with. They currently supply 16% of the market in Argentina, and they have continually taken on new brands in order to gain market share over AmBev, who dominates the beer industry in Argentina. In recent years, CCUA has entered into licensing agreements with several international breweries; they now produce and distribute Schneider, Heineken, Budweiser, Corona and Guinness. As an established competitor in Argentina, CCU already has established distribution channels and wholesalers and has engaged in several long-term licensing agreements with foreign companies (CCU, 2009).

The other option for a licensing agreement would be with AmBev. The advantages to this agreement are that AmBev dominates the Argentinean market, and as a result they have the most production capacity, and they have over 200 distributors (AmBev, 2009). While the size of AmBev could be an asset to BBC in gaining market exposure, because of the fear of monopoly, AmBev was forced to sell off five production facilities and several brands by the Brazilian anti-trust agency (CADE) and Argentina's Comision de Defensa de la Competencia. This could affect BBC's ability to sign a long-term licensing agreement with AmBev. Because of these risks, it would be much more beneficial for BBC to pursue its licensing agreement with CCUA.

Marketing Communication

Marketing Samuel Adams in Argentina will require the use of different marketing channels than are currently used in the United States. Television provides much less exposure for products than it would in the United States. Therefore BBC will have to use large poster print ads, as well as individual displays or promotional banners which can be given to the individual stores and corner markets that pervade throughout Argentina. The store displays will be crucial, since most corner stores do not allow shoppers to actually enter the store and shop, the customer simply asks for the products they want, and the clerk fetches them. Having a Sam Adams display will allow customers to easily discover which stores carry our products, as well as serve as a constant reminder of our products for consumers. Other forms of advertising could include radio commercials, sponsoring a sporting event or sports team. All of these forms of marketing would be viable options for the company's entry into Argentina; however Billboards, large print poster ads, as well as individual store displays will make up the majority of our marketing efforts.

The message being conveyed to the consumer will be essentially the same message that is presented to the American consumer: that this is a high quality handcrafted beer that is exquisite in its uniqueness. To up-sell this image, marketing efforts should focus on selling the BBC products as being part of Argentinean culture, playing on the idea that Argentines see

themselves as a unique and high-class culture within South America. The initial marketing campaign in Argentina will be relatively costly. The goal will be to build brand awareness, recognition, and eventually loyalty. Once Sam Adams has gained market position, a reasonable average that the company should expect to spend on its marketing efforts is between 20% and 25% of its annual gross profits.

Revenue and Expenses

**Argentina's Projected P&L
Year 1 Forecast
For the Period Ended December 31, 2010**

	<u>Year 1 Projections</u>	<u>Percentage</u>
Revenue	\$3,458,431	100%
Expenses		
Cost of Goods Sold		
Transportation	372,321	11%
Production Materials	761,724	22%
Distributor Commission	518,765	15%
Production Salaries	380,427	11%
Cost of Goods Sold	2,033,238	59%
Licensing arrangement	15%	15%
Net Profit for BBC	304,986	9%
Costs Incurred by Distributor		
General and Administrative Without Salaries		
Accounting	138,337	4%
Marketing	449,596	13%
General Overhead	69,169	2%
G&A Total	657,102	19%
Total Expenses	2,995,325	87%
Net Profit for Distributor	\$463,106	13%

Evaluation Plan

The Effectiveness of BBC's plan will be measured in several different ways. One option is to view how our market entrance has compared to other beers that entered either the

Argentinean market or Brahma Beer in the Brazilian market. Another way of evaluating the effectiveness of marketing in terms of our objectives would be to perform a survey of consumers. These surveys would ask the consumers whether or not they have heard of Sam Adams, or if they have a favorable opinion of Sam Adams? We could also ask about the effectiveness of our strategy by asking them if they have seen any Sam Adams advertisement. If they have, did this advertisement make them want to drink Sam Adams? These types of surveys would provide BBC with an effective tool to determine if we are meeting our objectives or if we need to reevaluate our strategy.

Another option that BBC could explore in determining the effectiveness of our objectives is to review our relationship with our licensor, CCU Argentina. CCU Argentina will be able to tell us valuable information regarding our product. They will tell us monthly demand for our product, and inventory shortages or surpluses that we may incur as well as alert us to shifts in inflation and currency rates. If our relationship with the distributor starts to head south then we know we have a major issue in reaching our goals. The licensor is our most valuable resource in determining whether or not we are meeting our goals.

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Appendix A

Chart 1: Religions in Argentina

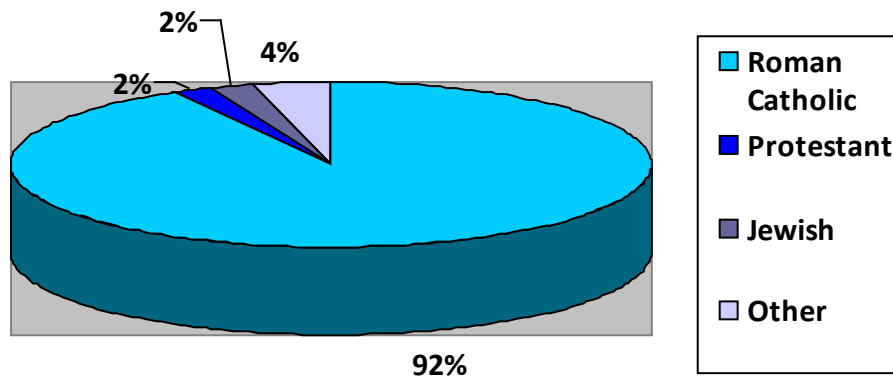


Chart 2: Geert Hofstede's Cultural Dimensions for Argentina

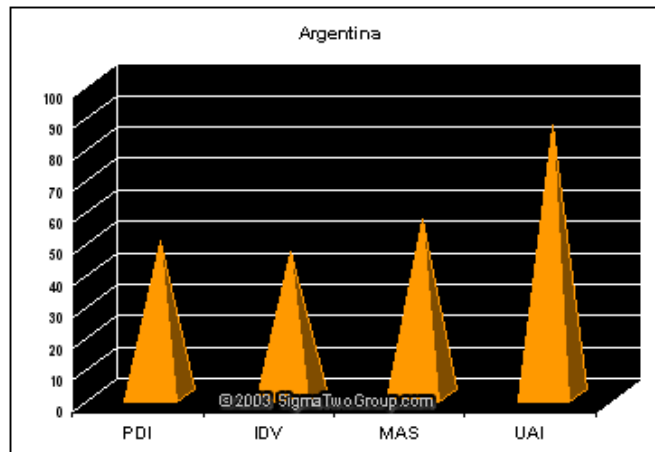


Chart 3: Geert Hofstede's Cultural Dimensions for Latin America Countries

