

GUINNESS

How can the iconic Irish beer brand compensate for declining home market sales



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0. Introduction

Guinness is the world's largest stout brand. Dominating 5 out of 7 world regions as a market leader. Despite this, Guinness has still seen declining sales in some markets and is having a hard time attracting younger consumers. Guinness has been asking themselves "How can we compensate for declining sales in the home market?". The purpose of this paper is to answer this question.

For convenience sake, some sources newer than 2018 will be used. However, no sources older than 2018 will be used to determine the most attractive market through MACS. Furthermore, there will not be referred to the course syllabus or the main textbook (Keegan and Green, 2020).

1. Analysis of Guinness' Global Market Position

Guinness holds a 60% market share of the world market for stouts. However, this accumulates to only 0.6% of the global beer market. Guinness is a market leader in 5 out of 7 global regions, with Africa being the most important region. Their main competitors are Heineken and SAB Miller. The market position will be analyzed through a SWOT-Analysis. Only the most crucial points will be elaborated on to keep the analysis concise.

Internal Factors	
Strengths (+)	Weaknesses (-)
<ul style="list-style-type: none"> - Market leader in 5 out of 7 global regions - High brand equity - Fully owned breweries in key markets - Strong financial position through the parent company - Strong sponsorships in the UK and Ireland - Control over distribution through own channels in key markets - Very strong position in Europe and Africa 	<ul style="list-style-type: none"> - Sales decreasing 5% from 2013-2018 - Top management doubting the future of Guinness - Increasing their prices - Narrow product line - Only 0.6% market share of the global beer market - Decreasing marketing expenditure
External Factors	
Opportunities (+)	Threats (-)
<ul style="list-style-type: none"> - Consumers moving towards better quality premium brands* - Off-trade consumption - Expected economic growth in Sub-Saharan Africa** - CSR projects with local African communities - More emphasis on younger demographics 	<ul style="list-style-type: none"> - Declining on-trade consumption - Increasing popularity of wine and spirits - Large global brands creating intense competition - Younger consumers turning away from stouts - High political risk in African countries*** - Lower priced substitute products - Strong local brands in Asia-Pacific and Latin America - Limitations on advertising alcoholic products****
<small>Diageo Annual Report (2018)* The World Bank (2018)** PRI Index (2018)*** EUACM (2018)****</small>	

1.1 Internal Factors

Guinness has many positive internal factors that result in a very high brand equity a strong market position. This gives them an edge over many competitors because Guinness is top-of-mind among many consumers. This together with its market leader position, allows them to charge a premium price for its products. Thus, they are appealing to the esteem needs of Maslow's Hierarchy of Needs, since there is a certain prestige associated with the product. Furthermore, they have sponsorship deals with many rugby teams in the UK and some of Asia. This further strengthens their brand equity within the sports segment which is perceived to be one of the key segments for Guinness. Since they are associated with sports.

Conversely, Guinness is seeing price increases as a strategy of masking its declining sales in key markets. In total, they have seen sales decreasing 5% from 2013-to 2018. This has led top management at Diageo to doubt the future of Guinness. The fact that they have been decreasing marketing expenditures and increased prices, indicates that they might be trying to maximize profits by a milking strategy of the Cash Cow which is Guinness. This shows internal uncertainty and overall weakness due to the lack of a clear strategy. The fact that they are market leaders in almost all markets for stouts, suggests that they should have a clear strategy to secure future growth for Guinness as a brand.

1.2 External Factors

Almost all European countries have seen an increase in off-trade beer consumption from 2014 – to 2018. (Euromonitor). This poses an opportunity together with internal factors of

convincing brand equity and a strong financial position through the parent company. Benefits can also be expected from consumers demanding better quality premium brands. They have been producing bottled Guinness since 1999, and could potentially upscale this to meet the demand for off-trade consumption.

Though off-trade is an opportunity, the declining on-trade consumption is also a threat. Since most of Guinness's strategy is with focus on on-trade consumption. This combined with the increasing popularity of wine and spirits poses a great threat. Furthermore, cheaper substitute products exist in many emerging markets where the PPP is not as high as in Europe and North America. This generally makes it harder for Guinness to justify its premium pricing, though they are using a differentiated pricing strategy.

2. International Market Selection Process

The process of selecting an appropriate market for a new product requires preliminary screening and a fine-grained screening. The initial preliminary screening is conducted based on region and growth. Using the MACS approach the most attractive market can then be identified. This eliminates any potential cultural myopia due to the non-biased assessment. MACS takes into account both market attractiveness (MA) and competitive strengths (CS). The analysis is based on quantitative data and available information from the case. Even though every criterion is important, only the most relevant will be elaborated to keep the analysis concise.

Market Attractiveness	Weight	USA	Chile	Germany	China	Japan	Czech Rep
GDP per Capita current US\$ (PPP)	20	120	40	100	20	80	60
Stout Market Size (Million Liters)	25	150	75	100	125	50	25
On-Trade Volume %	15	45	15	60	90	30	75
LPI Index Scores	10	40	10	60	20	50	30
Market Growth (2020-2025 CAGR%)	20	40	20	80	120	40	100
Population between 20-49 (Million People)	5	25	10	15	30	20	5
Psychic distance from Home Market	5	30	10	25	15	5	20
Total	100	450	180	440	420	275	315

(MACS: Sources, relative rankings, and absolute values can be found in the Appendix)

2.1 Market Attractiveness

The market attractiveness has been scored based on seven favorable market attributes. The highest weighted ones are market size in million liters, GDP per capita, and the projected market growth. Since Guinness is an enormous brand they need a big market to break even with the large costs of developing and promoting a new product. Additionally, it is also important for compensating for the declining sales in key markets. With a large market, there is a bigger chance of prolonging the product life cycle of the product, since there would be proportionately more innovators and adaptors to push sales and generate profits. The largest markets here are the USA, Germany, and China. The USA is the largest and thus the most attractive market in terms of market size. *It has to be noted that the market size in volume has been found using Euromonitor, and not the case material stout volume. Since many of the other metrics come from the same source.*

Furthermore, GDP per capita is important since Guinness is typically a premium-priced product due to its high brand equity. Making sure that potential consumers can afford the product is key to ensuring the long-term success of the product. Moreover, GDP per capita has been chosen over total GDP due to it being more representative of the consumer's individual income. Here USA, Germany, and Japan score the highest.

Market growth has also been assigned a relatively high score. The argument is that if a market is seeing negative growth projections, it would be costly and very difficult to change the consumption patterns of a market. Convincing an entire market to consume more stout through a conversion strategy would be very cost-inefficient. When one can initiate the new flavor in countries that are positive towards stout from the beginning, market failure is less likely to happen. If the product proves to be worthy in these markets, Guinness could later initiate a

conversation strategy to gain market shares in non-key markets. However, China, the Czech Republic, and Germany score the highest in projected market growth.

Despite the projected market growth, the USA is still the most attractive market based on these seven metrics. Due to a combination of a high GDP per capita, large market size, good infrastructure, and a low physic distance to Ireland (home market of Guinness). The second-highest ranking is Germany. Arguable because they are a similar western country with a high GDP, a large market, and a well-functioning infrastructure.

2.2 Competitive Strengths

Competitive Strength	Weight	USA	Chile	Germany	China	Japan	Czech Rep
Country of Origin Effect (ALP and AGP)	10	10	50	20	30	60	40
Knowledge of Market	15	75	15	90	30	45	60
Degree of competition	15	30	60	30	45	75	90
Psychic distance from Home Market	10	60	20	50	30	10	40
Product fit to Market Demand	20	120	40	100	20	80	60
Brand Awareness	20	120	20	100	60	80	40
Diageo Sales (2018)	10	60	10	50	30	20	40
Total	100	475	215	440	245	370	370

(MACS: Sources and relative rankings can be found in the Appendix)

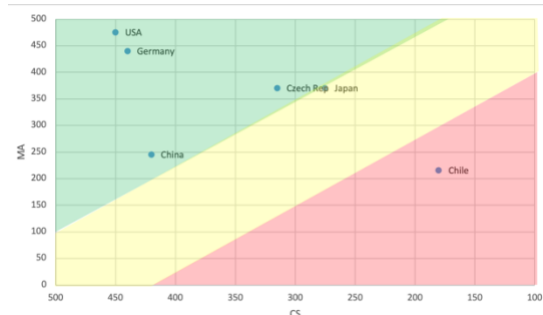
The competitive strengths are measured by six criteria relating to Guinness and its competitive advantage in a potential market. Guinness is already a market leader in most world regions, except Eastern Europe and Latin America. Thus, brand awareness has been weighted high so that Guinness can leverage their market leader position to introduce its new flavor to existing consumers.

Furthermore, the product fit to market demand is crucial, thus it has been weighted high. The USA here has the highest score, followed by Germany. This goes hand in hand with the fact that they are big consumers of stout in general. They might therefore be more open to a new flavor. There are also synergies between this and the low score in competition of the USA and Germany. Indicating that the competition in these markets is concentrated. Differentiation through line extension contributes to a stronger market position for Guinness in these markets. In total USA and Germany scores the highest here. Mainly due to high brand awareness and a high product fit to market demand. The intense competition is compensated by a low physic distance to Ireland and a great knowledge of the markets, due to their market leader position.

2.3 Market Recommendation

Total Weighted Scores	USA	Chile	Germany	China	Japan	Czech Rep
Competitive Strength	450	180	440	420	275	315
Market Attractiveness	475	215	440	245	370	370
Total Score	925	395	880	665	645	685

Cumulative the USA is the most attractive market, with Germany being marginally less attractive. The main reason for the USA being the most attractive is due to a large market for stout beer in general and a high purchasing power. This is enough to compensate for the relatively small market growth because they also have a small psychic distance and well-developed infrastructure. The launch of the new flavor can hopefully strengthen its position in the US through differentiation. A new flavor could even lure in some younger consumers whom they have been failing to reach. Since the taste of regular Guinness is perceived to be too bitter.



Other A-countries include China and the Czech Republic. Though, Germany has a higher rank and should be the next country to enter after the USA. Monitoring the product in the US Guinness can identify when it is reaching the end of the growth stage, and then enter Germany

before starting to exploit the new flavor as a cash cow in the maturity stage in the US market. Using this waterfall approach the overall PLC for the new flavor is being extended significantly, and long-term profits can be expected from the new flavor.

3. Market Segmentation

The fact that Guinness has an 86% market share in North America indicates that the targeted segment should not be too narrowly defined. However, stout beer is still considered to be a niche beer in the total beer market. This together with the premium pricing indicates that the segment should not be too wide either. It is important to balance these aspects to find the sweet spot in terms of segment width. Segmentation can be divided into two main categories. Psychographic segmentation and demographic segmentation.

Since Guinness is a premium product it carries a premium price. The target audience should thus have a medium to high income. Furthermore, men in the US consume roughly three times the amount of alcohol compared to women (The World Bank, 2018). Narrowing the segment to being male (though women should not be left out) orientated in the US with a medium to high income and above 21 which is the legal drinking age.

The segment must be positive towards new products and be willing to try innovative products. They would want to be innovators and seen follow new trends, as this is a completely new flavor. Again appealing to the esteem need of Maslow's Hierarchy of Needs.

Using the US VALS (Strategic Business Insight) experiencers and innovators can be identified as two fitting segments. Experiencers like new trends and are into sports. They are very sociable and can potentially influence friends to also try new things through word of mouth. Furthermore, they also have a relatively high income. The same goes for innovators. They are not skeptical about new products, they are however skeptical about advertisement. They should be reached by appealing to R&D and science. The open-mindedness of these two segments is also expected to reduce the liability of foreigners effect Guinness would experience. However, their massive market share also plays an important part in minimizing their liability.

Together these two segments make up 20% of the US population (University of Minnesota Duluth, 2008). Which is roughly 64 million people. Adjusting for the demographic measures, the market should still be large enough to profitably implement the new flavor. Especially since the competitors are almost non-existing in the North American market. The declining sales volumes have been mainly due to a price war in the general beer market, and not due to decreasing stout consumption.

4. Choice-Based-Conjoint Study

It is assumed that the marketing department of Guinness has made a CBC study. Analyzing the output from here, the optimal product configurations for the new product can be found based on utilities. Furthermore, market shares for the products and willingness to pay can be calculated for certain attributes. This will be done in the subsequent sections.

4.1 Market Share & Total Utility

Specifications	Guinness 1		Guinness 2		San Miguel 1		San Miguel 2		Desperados		No choice	
	Attribute	PU	Attribute	PU	Attribute	PU	Attribute	PU	Attribute	PU	Attribute	PU
Brand	Guinness	3,5	Guinness	3,5	San Miguel	2,5	San Miguel	2,5	Desperados	3	n/a	n/a
Flavor	Tequila	2,8	Lemon	2,1	Lemon	2,1	Peach	0	Tequila	2,8	n/a	n/a
Alcohol	8%	2	2%	0	4%	2,2	2%	0	8%	2	n/a	n/a
Organic	No	0	Yes	2,5	No	0	Yes	2,5	No	0	n/a	n/a
Price	5	0	3,50	2,5	3,5	2,5	2,5	4	3,5	2,5	n/a	n/a
Total Utility		8,3		10,6		9,3		9		10		6
exp (Utility)	4024		40135		10938		8103		29733		403	
exp (No-Choice)	403,43											
Market Share Guinness 1	7,6%											
Market Share Guinness 2			44,9%									

(Total utility and market shares for Guinness and product alternatives. (Market share calculations are found in the appendix)

The second Guinness alternative gives the highest expected market share. This comes out at 44,9%, whereas the first Guinness alternative gives only an expected market share of 7,6%. Alternative two differs in several ways. It is with a lemon flavor and has only 2% alcohol which is about half the alcohol of an ordinary Guinness. The product is also certified organic and priced at 3,5€ (\$3,87). The price is favorable since the national average price of a Guinness is \$6.7(Financebuzz, 2022). Since the sales volume of Guinness two is expected to be about six times larger than for Guinness one, it should choose option two for profit maximization. Assuming the margins are not astronomically low making Guinness one more profitable. Furthermore, the product configurations of low alcohol and lemon flavor go well in hand with them trying to attract younger consumers. These two could contribute to making the beer less bitter and more appealing to younger segments. The organic label on the new Guinness goes in hand with the segments from section three. Especially innovators who are future-orientated and concerned with social issues. The organic label would then work as a quality stamp and be perceived as the greener option (FDRS, 2020).

4.2 Willingness to pay

The formula for willingness to pay can be derived from the following expression:

$$\frac{PU_{j,m1}-PU_{j,m2}}{\Delta WTP_{jm1_jm2}} = \frac{\text{Span Utility Price}}{\text{Price Range}}$$

$$\text{Isolating for WTP it is found that: } \Delta WTP_{jm1_jm2} = \frac{PU_{j,m1}-PU_{j,m2}}{\frac{\text{Span Utility Price}}{\text{Price Range}}}$$

Now the corresponding values can be inserted into the equation to find WTP for organic vs. non-organic and tequila flavor vs. strawberry flavor.

$$\text{Starting with the willingness to pay for an organic beer: } WTP = \frac{2.5-0}{\frac{6-0}{5-1.8}} = 1.33$$

This number says that consumers are willing to pay 1.33€ more for an organic Guinness as opposed to a non-organic Guinness. Since the consumers are very willing to pay for an organic beer, Guinness should definitely go through with organic beer instead of non-organic. 1.33€ is very high considering that the beer will only be priced at 3.5€. Besides, producing organic beer is more costly, since organic hops and barley are more expensive. (FoodPrint, 2020). This WTP leaves room for Guinness to adjust prices if the margins are found to be too slim to turn a profit.

$$\text{The WTP for tequila flavor is calculated using the same formula: } WTP = \frac{2.8-3}{\frac{6-0}{5-1.8}} = -0.11$$

This indicates that consumers are not willing to pay more for tequila flavor opposed to the strawberry flavor. This indicates that strawberry-flavored beer would be preferred. This also corresponds to the higher utility of strawberry flavor.

Overall, the recommendation is to continue with the organic beer, but if they were to not go with the lemon flavor, tequila should not be the alternative. The alternative flavor should be strawberry since the WTP is higher for this given flavor.

5. Guinness' Competitive- & Marketing Strategy

In the subsequent sections, Guinness' competitive strategy will be identified. Additionally, it will be considered whether or not Guinness must adapt or standardize its marketing mix and branding strategy. Lastly, rough break-even calculations will be conducted. To estimate the time needed to cover adaptation costs.

5.1 Competitive Strategy

Guinness' competitive strategy for the new flavored beer would be a differentiation focus. Even though they might be a market leader in the niche market for stout, they are relatively small in the generic beer market. Thus, they are differentiating themselves from the likes of Budweiser to be competitive in their niche market. Furthermore, the new flavor will be an organic flavored stout differentiating even more. This narrows the scope. Therefore they end up pursuing a differentiating focus strategy. The differentiation strategy also goes hand in hand with the premium price, since there is a correlation between unique products and premium pricing. Were Guinness to pursue a cost-focused strategy they might find it hard to generate profit since their unique product requires a high price to cover costs associated with production, marketing and R&D. The competitive advantage of differentiating their product through a flavored beer also taps into current US trends. 58% of US beer drinkers say they are interested in flavored beer (Arthur, 2016). To conclude there is a clear indication that the organic flavored beer will create a competitive advantage for Guinness.

5.2 Adaptation vs. Standardization

Guinness uses a rather global marketing strategy. With some degree of local adaptation in terms of local marketing campaigns. Since it is a global brand they have to take into account cultural differences in for instance Western Europe and Asia. The following subsections try to point out which adaptations are needed to succeed with the new flavor in the US. Adaptations can be very expensive, thus it will also be estimated whether or not the adaptation will be worth it. Lastly, it is assumed that the new flavor remains a stout type of beer.

5.2a Product

Looking at the new flavored Guinness in its standardized form it is a good fit for the identified segments. Especially the experiencers who are very open to new products, and would be open to the new flavor as well. Combining this with Guinness' sports image the standardized product would fit the segment. The innovators are more open to proven products, so they are expected to catch on slightly later. However, the fact that it is organic also fits very well, since they are quality conscious and care about social matters (FDRS, 2020). They should also emphasize the golden color of the harp logo. Since this color is associated with happiness and joy in Western culture. Furthermore, green colors can be used to symbolize luck, and tap into the heritage of their home market Ireland. Lastly, as before mentioned 58% of US beer drinkers have a positive attitude towards flavored beer the product fit to demand is very good and should be standardized.

5.2b Price

As before mentioned the average price of a normal Guinness in the US is \$6.7. However, the proposed price for the new flavored Guinness comes out to \$3.87 (3.5€). This is significantly lower than the price current consumers are used to paying for a Guinness. However, the prices are a bit higher in some states such as California and New York (Financebuzz, 2022). They should keep exploiting their differentiated pricing strategy, as the PPP is higher in some states. This would increase profits. So a partial standardization can be utilized for the price. Since it is already rather low, it can also be assumed that this is a penetration price strategy. Also targeting the younger segments, that does not have the same disposable income as older segments. Furthermore, they should utilize the psychological price of \$3.99. Since studies have shown that prices ending with a nine are perceived to be lower (Kumar & Pandey, 2016).

5.2c Promotion

The promotion is where Guinness should heavily consider adapting. Guinness has cut back on its marketing spending in recent years. The USA is a very digitalized country, and its target segments are also tech-friendly. Therefore, they should emphasize online marketing through the likes of Instagram and YouTube,. They should especially try and target the younger parts of their segments through these online channels. Conveying that they have launched a new light beer with a citrus taste at a very affordable price. They should build a competitive advantage by leveraging these factors to a segment that might not normally buy stouts.

Besides, creating marketing campaigns using the organic label as a USP. Moreover appellation to science and R&D should implemented. Since these factors are important for the innovator segment. For the experiencers, they could do partnerships with different sports icons and possibly teams. Since experiencers are very much into sports.

Furthermore for general advertisement, they could leverage celebrity endorsement. This form of advertisement has proven to be profitable in the US (Agrawal & Kamakura, 1995). As America is highly individualistic in terms of cultural dimensions. Guinness should avoid spending excess money on several endorsement deals and focus on one specific celebrity. Long-term they could pursue a global marketing strategy like Nespresso, where George Clooney is the global face of their brand. Since they will be starting in the US they should use a celebrity from there, as their local marketing element.

It is also important to note that almost any marketing they do, would have a spill-over effect on Guinness as a brand, and increase brand equity.

5.2d Place

Right now since the USA is a large market it is assumed they have fully owned breweries in the country. Since they as a rule handle their own distributions in larger markets through vertical integration. They should keep up this direct distribution, as it allows for more control and governance over their downstream activities.

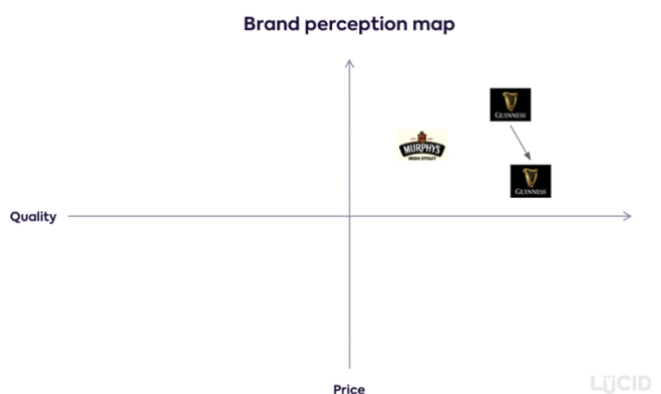
The place where they should adapt heavily is in their focus on off-trade. Off-trade has only seen growth since 2015 (Euromonitor). Guinness has had the technology since 1999 to bottle and can their beer. They should through their distribution and their marketing adapt to the increasing off-trade consumption. They already have their product, and they already sell to the retail market. However, this should be intensified significantly. Normalizing drinking bottled Guinness. Companies like Carlsberg and Heineken are doing so with great success. An intense distributions strategy through wholesalers and retailers, making the product more visible on the shelves of American retail stores.

Together with increased marketing. This could also have a spill-over effect on their on-trade brand, where if people like their bottled product, they may be less reluctant towards their draft beer.

5.2e Branding & Positioning

As the above proposals suggest they should maintain their brand as being associated with sports like they are in Ireland and the UK. However, they should also put more emphasis on the organic feature of the product to satisfy the innovator segment.

They should stick to their market position as a high-quality premium beer. However, the new product is going to indicate a shift towards a lower price, without any indications



of lower quality. Increasing consumer surplus and perceived value for the consumers. This has been illustrated in the above perceptual map. Showcasing how they decrease the price rather significantly. Furthermore, they slightly increase perceived quality since the new flavor will be organic (FDRS, 2020). Thus, in their new market position their competitive advantage over Murphy's will be even bigger. This is also reflected in their difference in current market shares.

5.2f Break-Even Analysis

Due to lack of information operating profit margin has been used instead of gross profit margin. Operating profit margin has been found as the $\frac{\text{Operating Profit}}{\text{Net Sales}} * 100$. In 2018 Guinness's net sales were \$16.1 billion and operating profits were \$4.8 billion (The Irish Times, 2018). Thus the operating profit margin comes out at 30%.

Based on the break-even analysis they would have to sell 2.100.000 units to break even. Accumulating to a revenue of \$8.379.000. This is realistic considering that there are annually being consumed 264 million liters of stout in the US as of 2018 (Euromonitor). Guinness' market share of 86% in North America accounts for 227 of the 264 million liters being consumed. A beer is usually 0.5L thus they sell approximately 454 million units annually in the North America.

Marketing Costs - Year one				Notes
Promotional Tool	Cost per Unit	Frequency	Total Cost	
Market Research	\$ 150.000	1	\$ 150.000	Small budget due to assumed market knowledge from market leader position
Instagram Ads	\$ 100.000	12	\$ 1.200.000	500.000 montly click of an estimated price 0.20\$ per click (WebFX)
National 30 Second TV-Ad	\$ 105.000	6	\$ 630.000	Average costs in 2020 (FitSmallBusiness, 2022)
YouTube Ad	\$ 45.000	12	\$ 540.000	Assuming 0.1\$ per view (WebFX)
Total Marketing Costs			\$ 2.520.000	
Break Even Estimations - Year One				
Net Sales			\$ 16.109.716.613	Net sales and operating profits in 2018 (The Irish Times)
Operating Profit			\$ 4.885.733.727	
Operating Profit Margin			30%	(Operating Profit / Net sales) * 100
Unit Price			\$ 3.99	
Operating Profit per Unit			\$ 1,2	Unit Price / Operating Profit Margin
Break Even (Units)			2.100.000	Total Marketing Costs / Operating Profit per Unit
Break Even (Revenue)			\$ 8.379.000	Break Even (Units) * Unit Price

This is 38 million a month. If 1% of these sales would shift to sales of the new flavor, they would sell 3.8 million units per month. Consequently, they would be able to break even in terms of marketing in 0.55 months. *This is not accounting for the fact that some of the 38 million units will also be sold in Canada since the 86% market share is in North America as a continent. Furthermore, any R&D costs and other related sunk costs are also being disregarded.*

The celebrity endorsement and sports team sponsorships are not included in the break-even. Since this is a very long-term suggestion and relates more to the main brand, Guinness, however, it is still relevant for the new flavor in the long term.

In conclusion, the 4P's are being affected as the positioning of Guinness has shifted towards lower price and higher perceived quality simultaneously. Additionally, a whole new potential business focus can be found in the increasing off-trade market for beer. With potential spill-over effects to the on-trade market.

6. Sales Forecast

Using the Bass Diffusion model one can estimate future sales based on an innovation coefficient (p) and an imitation coefficient (q) and the potential market size (m). The innovation coefficient is based on external influences which are usually marketing activities. The imitation coefficient is based on internal influence in the form of word of mouth between innovators and imitators.

t	Innovators (t)	Imitators (t)	s(t)	S(t-1)
1	2.500	0	2.500	0
2	2.475	2.228	4.703	2.500
3	2.428	6.295	8.723	7.203
4	2.341	13.420	15.761	15.926

(Formula can be found in Appendix 3)

With $p = 0.01$, $q = 0.9$ and $m = 250.000$ the cumulative sales volume after four years comes out to be 31.687 units.

A country like the USA has a low uncertainty avoidance meaning they are open to new products. Moreover, they have high masculinity indicating that they are driven by achievement. This means the product will likely have a rather quick take-off compared to other countries. A quick take-off can be crucial since it generates revenue and profit. Meaning they can potentially pursue an aggressive international marketing strategy, to prolong the product life cycle of the product. The quick take-off is seen when the amount of imitators increases by over 50% from year 3 to 4. Hypothetically speaking, if the change from year 4 to 5 is calculated the amount of imitators increases by roughly 50% again to around 26.000. Furthermore, indicating a quick take-off.

However, since the USA is also a high-income country with a high level of education and a lot of media exposure, they are expected to have a shorter growth stage. The high need to succeed culture (masculinity) also implies a shorter growth stage. Indicating that it is important to commit to an aggressive international marketing strategy, to stay profitable and generate revenue.

Based on the calculations, the revenue for a total sales volume of 31.687 would be \$126.431. This is very underwhelming and if this were the case in real life the product would probably not succeed. However taking into account the massive resources of Guinness and the possibility to affect the innovator variable, and the cumulative size of the innovator and experiencers segment, the potential market size would be bigger, and the launch could very well succeed with some different assumptions.

7. Use of Online Channels in the United States

As online presence is becoming increasingly more important in doing international business. It can be crucial to understand how to use online channels, utilize potential gains, and be aware of pitfalls. Digitalization is a very important part of the marketing mix, and every international company should have an online strategy.

7.1 Digitalization of distribution and communication

Exploiting the possible online channels in terms of their communication and distribution strategy can prove very valuable. Since the younger segments are still fairly untapped, and hard for them to reach. A strong online presence could be the way to go. The USA has one of the world's highest social network penetrations with 90% between ages 18-29 and 82% between 30-49 (Statista, 2019). Thus, online marketing through social media should be conducted. This is in pair with the suggested marketing mix strategy for promotion. Social media is a valuable platform to reach younger segments, and educate them on this new flavor. Appealing to the lighter variant with a lemon twist, as opposed to the old image of a dark bitter stout. Initiation of a conversation strategy among younger consumers can be conducted through social media. Furthermore, online channels should also be used to further govern existing CRM, which is essential in doing long-term business.

7.2 Online Shop Profitability

To analyze the profitability of the implemented online shop, a CLV analysis is being conducted. CLV is a measure of the average customer revenue generated over their entire relationship with the company.

	2022	2023	2024	2025
Order id	1	1	2	1
Revenue per order	50	65	45	50
Value of returned products	10	30	0	25
Shipping costs (including return)	5	5	5	5
Handling Return costs	4	5,2	0	4
Production costs	11	14,3	9,9	11
Profit	20	10,5	30,1	5
Profit on the year basis	20	29,5	1,1	5
Discounted profit	20	28,095	0,998	4,319
Total Profit Σ				53,41215851

(Formula can be found in Appendix 4)

According to the calculations, the total profit per customer will be 53,4€ in the period. This comes out to be \$59. Based on this the online shop will be profitable. However, profitability can be further improved.

The synergies between extensive marketing and economies of scale can be utilized. If they were to increase the marketing budget for this new online channel. Increasing customer awareness, and incentivizing customers to make repurchases. The increased amount of orders per customer would be expected to increase the overall profitability per customer.

The spill-over effect here would consist of two main components. Firstly, they would gain more new customers for their online channel increasing Guinness' overall profit. However, this would not increase the profit per customer. The augmented sales would require more production, and economies of scale would be expected to kick in. Bringing down the per-unit cost of each unit. Overall the marginal cost for production would decrease, and the current 22% cost of production would be expected to decrease.

8. Conclusion

Guinness asked themselves: "How can we compensate for declining sales in our home market?". The answer is introducing a new lemon-flavored organic beer in the USA. This goes along with current trends, and could potentially be the way into the younger segment, that beforehand has been difficult to reach. Furthermore, the new flavor should be consumable by bottle or can, to satisfy the current trend of increasing off-trade consumption. They should focus heavily on online marketing to reach the innovators and experienter segments in the US. They must adapt to American culture in terms of their marketing. Moreover, the general marketing efforts should be intensified with a focus on the new flavor. This would have a spill-over effect on the main brand. Lastly, the increased sales from the marketing efforts could also create economies of scale increasing their profit margins.

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Appendix 1: MACS

Market attractiveness in absolute values.

Market Attractiveness	Weight	USA	Chile	Germany	China	Japan	Czech Rep
GDP per Capita current US\$ (PPP)	20	63.064,42	15.888,14	47.950,18	9.905,34	39.808,17	23.419,74
Stout Market Size (Million Liters)	25	264,30	12,70	19,40	241,60	4,90	0,50
On-Trade Volume %	15	26,50	17,20	34,10	51,50	19,00	35,70
LPI Index Scores	10	3,89	3,38	4,20	3,61	4,03	3,68
Market Growth (2020-2025 CAGR%)	20	3,70	-1,70	4,40	12,20	3,70	9,80
Population between 20-49 (Million People)	5	130.093,60	8.276,80	31.085,70	625.388,30	45.941,10	4.420,50
Psychic distance from Home Market	5	51	180	100	172	197	137
Total	100	193.508	24.376	79.198	635.775	85.978	28.027

Sources: (1: The World Bank) (2: Euromonitor) (3: Euromonitor) (4: The World Bank) (5: Euromonitor) (6: Euromonitor) (7: Hofstede Insights)

Market attractiveness in relative rankings.

Market Attractiveness	Weight	USA	Chile	Germany	China	Japan	Czech Rep
GDP per Capita current US\$ (PPP)	20	6	2	5	1	4	3
Stout Market Size (Million Liters)	25	6	3	4	5	2	1
On-Trade Volume %	15	3	1	4	6	2	5
LPI Index Scores	10	4	1	6	2	5	3
Market Growth (2020-2025 CAGR%)	20	2	1	4	6	2	5
Population between 20-49 (Million People)	5	5	2	3	6	4	1
Psychic distance from Home Market	5	6	2	5	3	1	4
Total	100	32	12	31	29	20	22

Market attractiveness in psychic distance from home market Ireland.

The psychic distance is calculated as the absolute distance between country x and Ireland.

Cultural (Psychic distance) calculation							
	Home Country	USA	Chile	Germany	China	Japan	Czech Rep
Power distance	28	40	63	35	80	54	57
Individualism	70	91	23	67	20	46	58
Masculinity	68	62	28	66	66	95	57
Uncertainty Av.	35	46	86	65	30	92	74
Long Term	24	26	31	83	87	88	70
Absolute distance		51	180	100	172	197	137
Rank (absolute distance)		6	2	5	3	1	4

Competitive strengths in relative rankings.

	Weight	USA	Chile	Germany	China	Japan	Czech Rep
Country of Origin Effect (ALP and AGP)	10	1	5	2	3	6	4
Knowledge of Market	15	5	1	6	2	3	4
Degree of competition	15	2	4	2	3	5	6
Psychic distance from Home Market	10	6	2	5	3	1	4
Product fit to Market Demand	20	6	2	5	1	4	3
Brand Awareness	20	6	1	5	3	4	2
Diageo Sales (2018)	10	6	1	5	3	2	4
Total	100	32	16	30	18	25	27

Source: (1: Steenkamp and De Jong) (4: Hofstede Insights) (7: Diageo Annual Report 2018)
(The rest is ranked based on case material)

Appendix 2: Market Shares Calculations

$$\text{Guinness 1: } \frac{4024}{10938 + 8103 + 29733 + 403} = 0,076 = 7,6\%$$

$$\text{Guinness 2: } \frac{40135}{10938 + 8103 + 29733 + 403 + 40135} = 0,449 = 44,9\%$$

Appendix 3: Bass Diffusion

The following formula has been used to calculate S_t

$$s_t = \left(p + q \cdot \frac{S_{t-1}}{m} \right) \cdot (m - S_{t-1})$$

s_t = Sales in t
 t = Periods (4)
 p = Innovation Coefficient (0,01)
 q = Imitation Coefficient (0,9)
 m = Market Potential (250.000)
 S_{t-1} = Cumulated number of adopters (sales) until t-1

Appendix 4: Customer Lifetime Value

Customer lifetime value is calculated using the following expression.

$$CLV = \sum_{t=0}^{t=n} \frac{e_t - a_t}{(1+i)^t} = e_0 - a_0 + \frac{e_1 - a_1}{(1+i)} + \frac{e_2 - a_2}{(1+i)^2} + \dots + \frac{e_n - a_n}{(1+i)^n}$$

t = Period
 n = Duration of the analysis horizon
 i = Discount factor
 a_t = Investments in the business relationship in period t
 e_t = Investments from the business relationship in period t