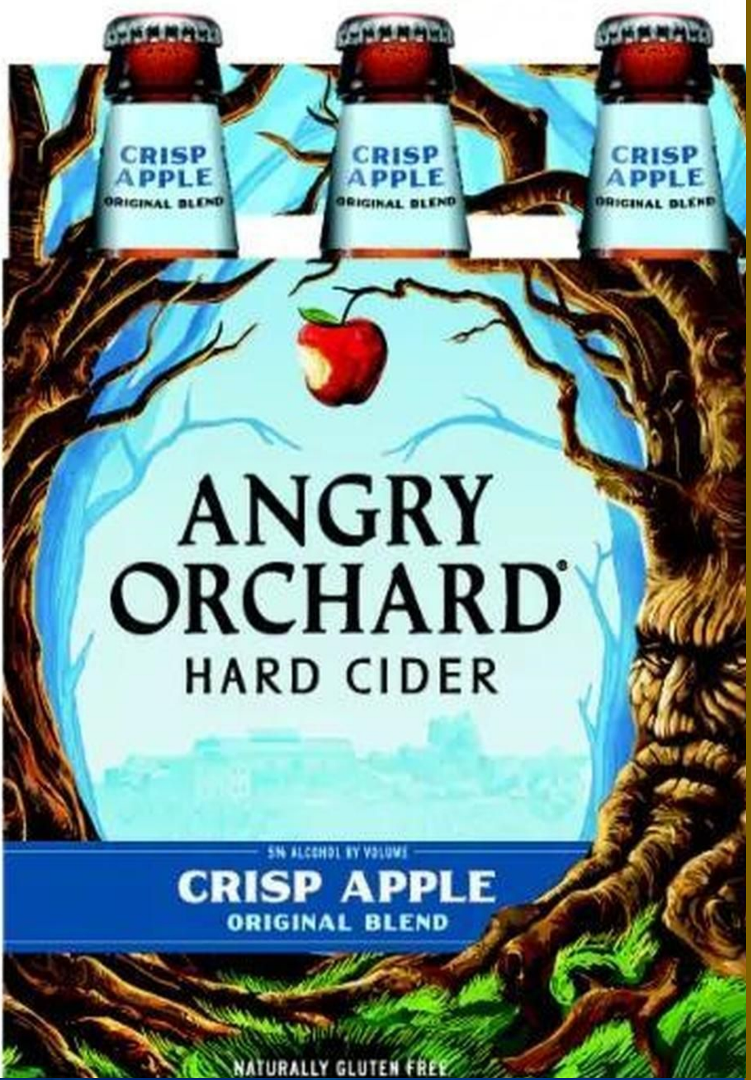


ANGRY ORCHARD:

Expanding Our Competitive Advantage

Marketing Proposal
Team #4

1

Company Background

History

1984: founding of Boston Beer Company → Introduced Samuel Adams Boston Lager

1997: Company launches "Hardcore Cider"

2011: Hardcore Cider retired

2012: Boston Beer Company nationwide introduction of Angry Orchard 3 flagship flavors

2012: Quickly captured 40% of the United States hard cider market

2014: 50% market share

2012: Boston Beer Company's revenues = $629M

2014: Introduction of Angry Orchard increased the company's revenues to $903M

End of 2014: Angry Orchard comprised nearly 20% of the Boston Beer Company's output

2015: acquires apple orchard in Walden, NY

Investing $9.1M in R&D through the "Innovation Cider House"

2016-2017: Cider House opened to the public

Beginning research into seasonal offerings

Product Overview

Product:

- Hard apple cider
- 5% Alc./vol.
- “Refreshing hard cider with an attitude”
- Apple cider based with mixture of additional flavors
- Made in Walden, NY

Fulfillment of Market’s Needs:

- Casual drink
- Not too strong with lighter flavors → “naturally gluten free”
- Appealing to millennial drinks & female drinkers
- Since 2016: Cider sales have increased (competing with hard seltzers, large/small cideries & craft beer industry)

Competition

CRISPIN CIDER Co

BOLD ROCK HARD CIDER

ANNO 1366 STELLA ARTOIS Belgium

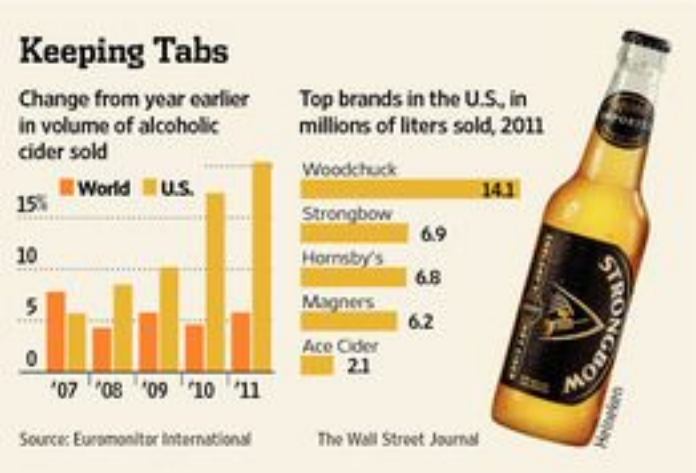
WOODCHUCK HARD CIDER EST. 1991

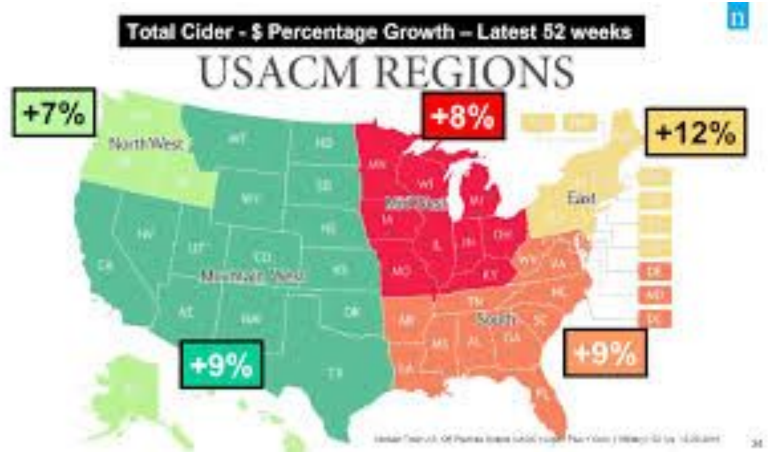
Yuengling AMERICA'S OLDEST BREWERY

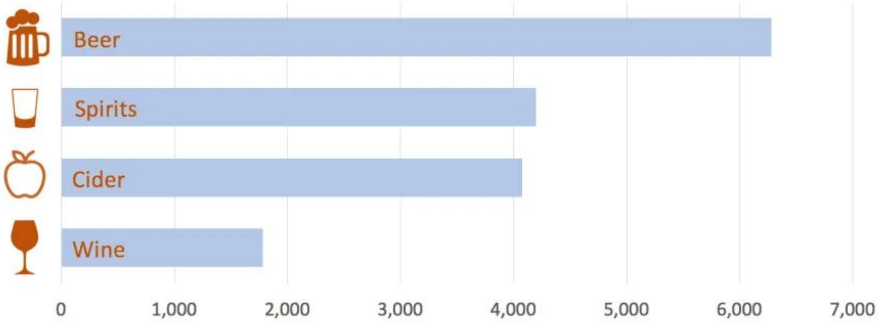
REDD'S APPLE ALE

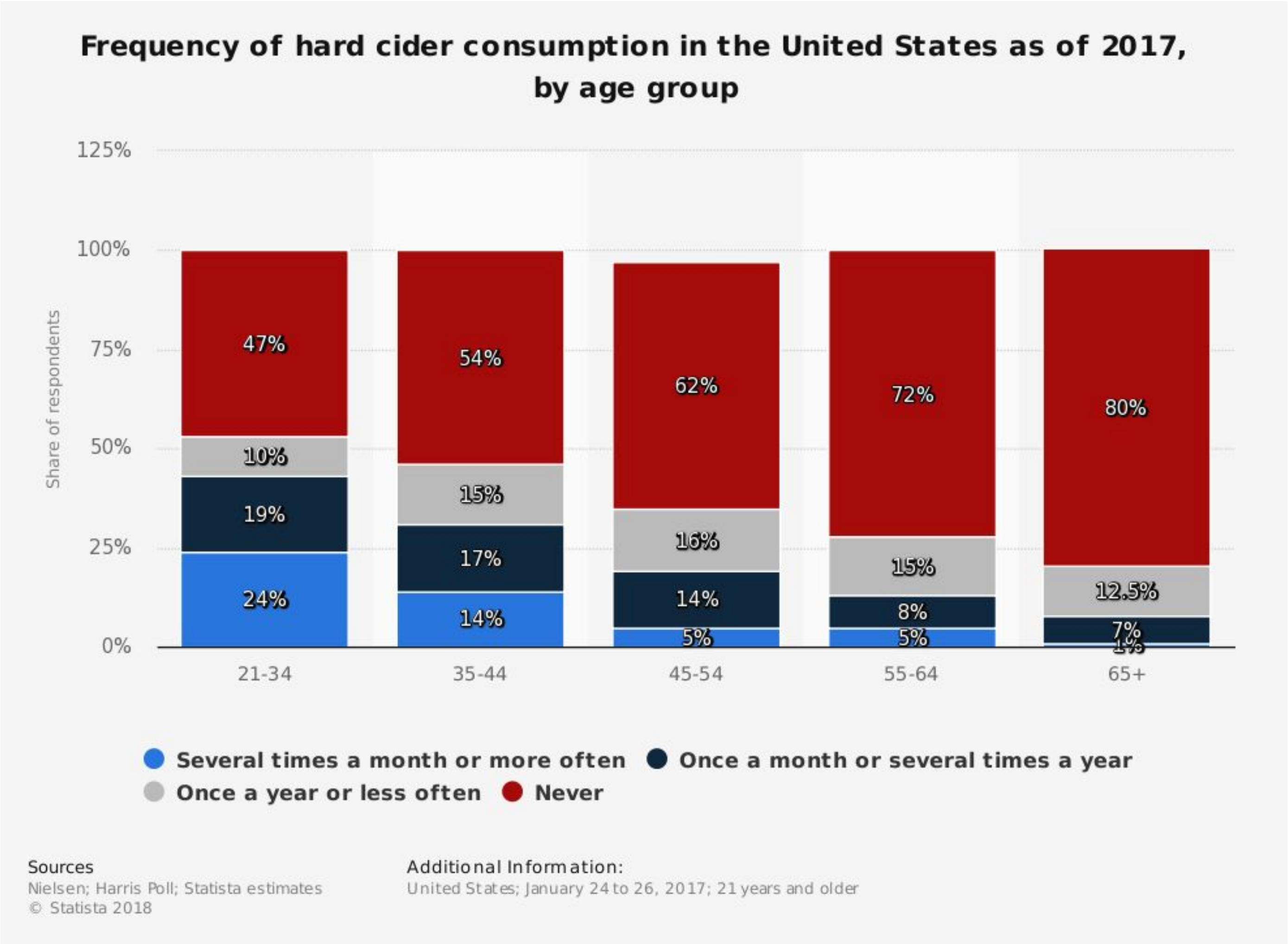
Performance Measures: Market Share

58% market share of the U.S. hard cider industry









Frequency of hard cider consumption in the United States as of 2017, by age group
125%
100%
75%
50%
25%
0%
Share of respondents
47%
10%
19%
24%
54%
15%
17%
14%
62%
16%
14%
5%
72%
15%
8%
5%
80%
12.5%
7%
1%
21-34
35-44
45-54
55-64
65+
Several times a month or more often
Once a month or several times a year
Once a year or less often
Never
Sources
Nielsen; Harris Poll; Statista estimates
© Statista 2018
Additional Information:
United States; January 24 to 26, 2017; 21 years and older

Performance Measures: Growth

2017: Growth within market

- Smaller brands experiencing 41% growth

2017 - 2023: Cider market growth → CAGR of 6.1%

2018: 4% of legal-aged consumers say cider is their “drink of choices” (vs. 1% in 2007)

- Men and women drink almost equally → with 1% of women drinking more
- Millennials consume most

Overview:

GLOBAL CIDER MARKET VALUE
16,252m USD

LEADING CIDER BRAND IN THE U.S., BASED ON RETAIL SALES
Angry Orchard

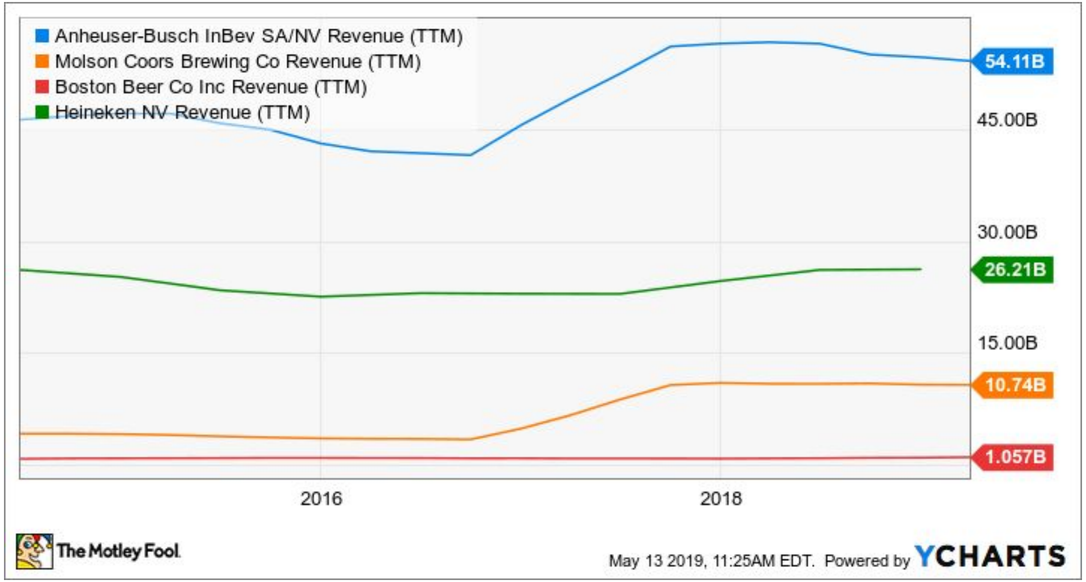
SALES GROWTH OF CITIZEN CIDER IN THE U.S.
209.3%

Performance Measures: Recent Revenue

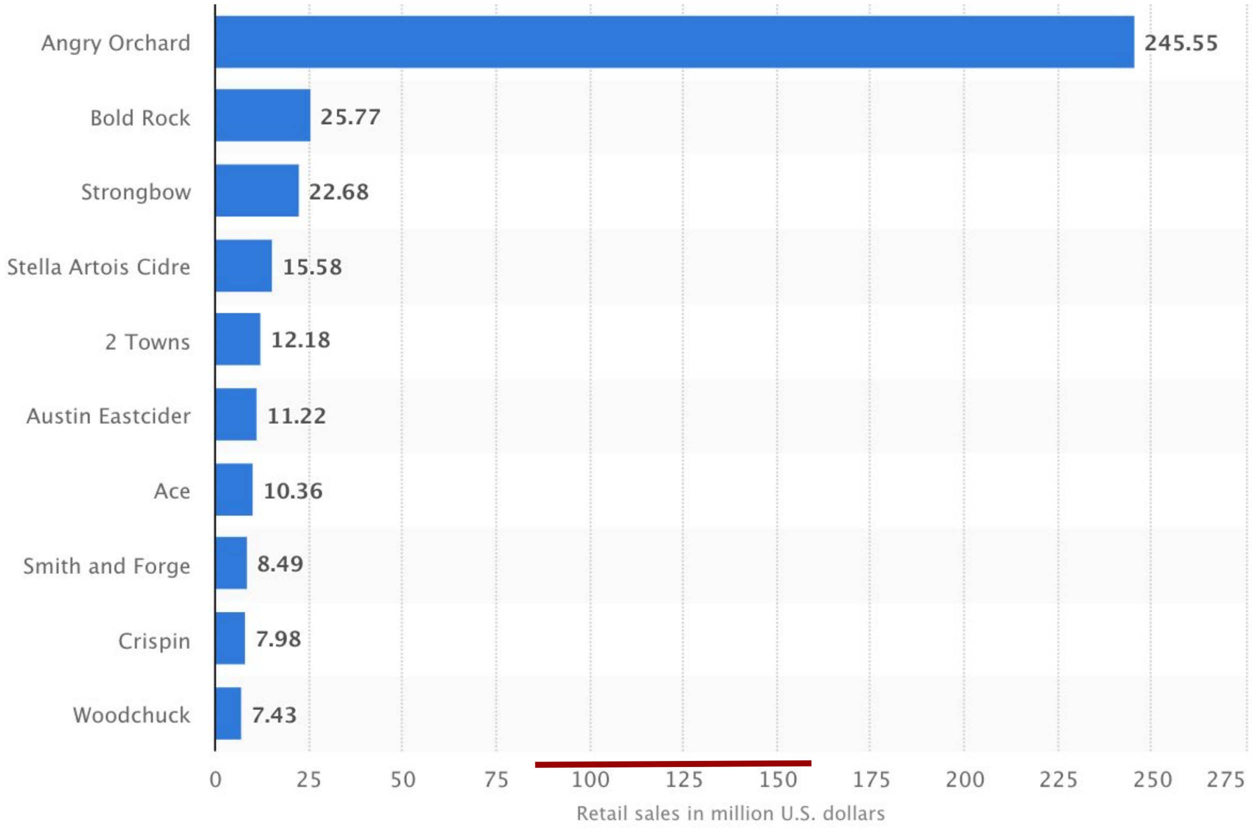
2017: $206.3M

2018: Revenue = $273.1M
- Increasing 10.2% from 2017

2019: Q2 = $318.4 M
- Up 16.6% from Q2 2018



Performance Measures: Margins



2

Current Situation

Situational Analysis

Internal Environment

Intangible Resources:

- Brand loyalty
- Brand equity
- Strong reputation
- Largest market share within industry (58%)

Core Competencies:

- Male and female audiences
- Has captured younger-aged audiences
- Well-established social media
- Been able to leverage technology and innovation
  - App → Augmented reality
  - Interactive website

External Environment

New Competition: Truly, White Claw, large & small hard cider companies, and emerging craft beer industry

- No health-conscious options
- Limited flavors
- Higher pricing than comp.
- “Too corporate”

Market Trends:

- Low calorie/low carb→ healthier options
- New flavors & variety
- Specialized and customized options
- Craft beer
- Buying locally
- Convenience → not as accessible away from East Coast

Customer Environment

Target market and buyers → 21 years old

Primary target market = millennials and college students

Capitalizes on brand loyalty:

- Largest % of market share vs. competitors

Variety of flavors appealing to different consumers’ preferences

- Beginning to announce new flavors and products
- “Rose Spritz”

Customer perception:

- Gen X and Baby Boomers: <10% drinks hard-cider 3 times a month or more
- Millennials: 24% drinks 3 times or more

STRENGTHS

- **Strong Brand Equity & Brand Loyalty (Boston Beer Co.)**
- **Steadily increasing sales each year**
- Established social media presence
- Engaging and informative website
- Limited apple-orchard/cider competition in NY
    - **“Family-owned” cider house w/ 200 years of cider making experience**
- Recently released new flavors & strong product portfolio
    - **New “Spritz Rose Cider”: 110 cal.**
    - Competing with Truly and White Claw
- **Gluten-free**
- Low-alcohol content: easy to casually enjoy

WEAKNESSES

- **Consumer perception: “not a beer”**
- Between 190-220 cal. → **not appealing to health-conscious drinks** (White Claw = 100 cal. & “Lite” beers are 60-90 cal.)
- **Only 4 main cider flavors**
- Additional “specialty” flavors **not easily accessible**
- **Reputation: seen as a big corporation** → not appealing to growing craft beer market consumers
- **Low alcohol content:** lacking product option for consumer who wants a harder beverage

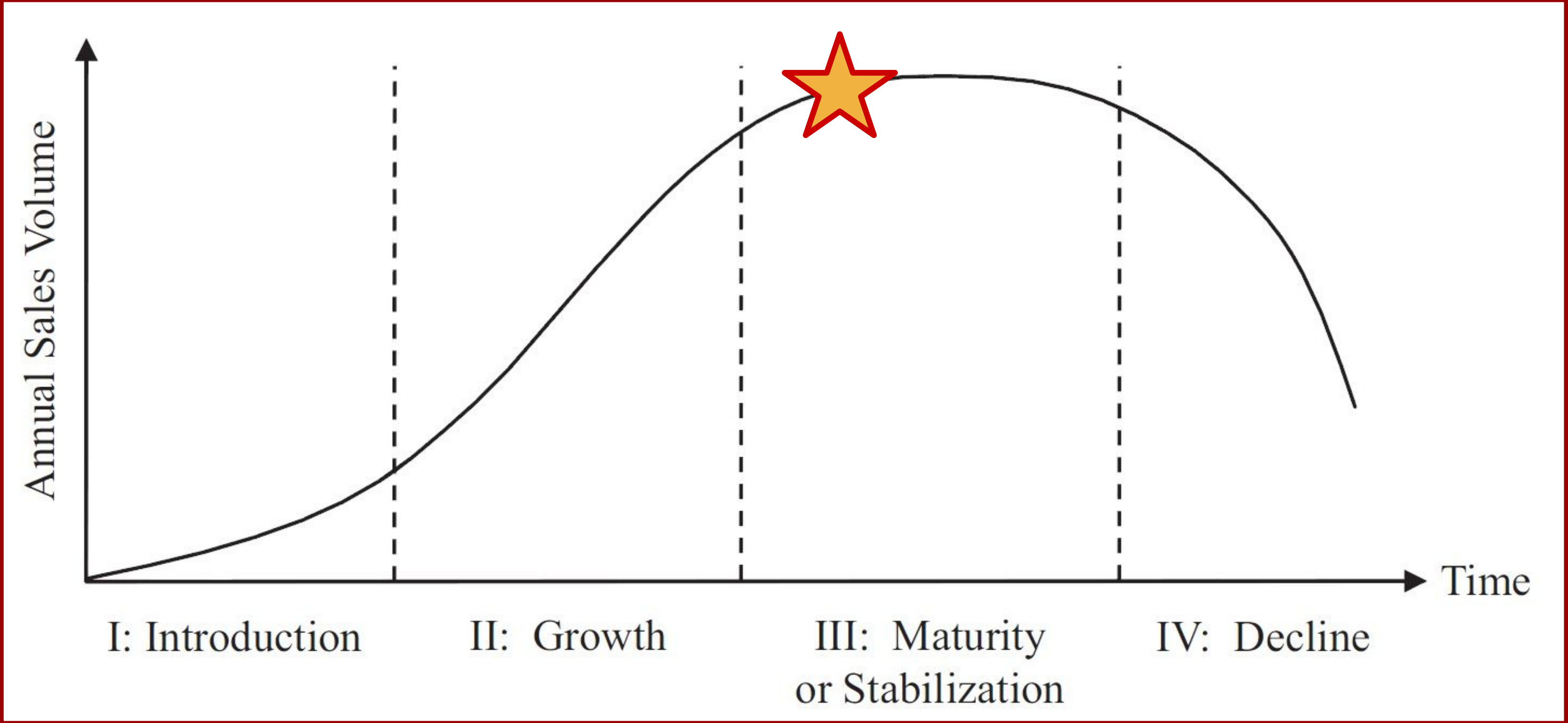
OPPORTUNITIES

- Introduction of **regional and seasonal flavors**
    - Not a “Fall” drink; accessible to all geographic areas
- **Lower calories in new flavors** → appeal to health-conscious consumers
- Establish additional stores & Cider-houses around east coast: **working to expand nationally**
- Increase nationwide accessibility
- Working to establish **partnerships w/ social media influencers**
    - Appeal to and capture **millennial** audiences
    - Increase market share with men (21-35)
- **Sponsorships:** become the “beverage of choice” for stadiums/concert venues

THREATS

- **Competition** (major brands & local, small-scale cider producers)
    - **Craft beer competition: market growth +7%**
- **Seasonal changes:** increased production and sales in fall, decreased sales and production in early spring
- **Climate Change:** warmer temps. impacting growth rate
- Expense of foreign **imports**
- Consumer preference changes
- **Government regulation** on alcohol
- **Market trends** → popular today, but may change in future
- Social shift toward valuing **healthier lifestyles**

Product Lifecycle



Problem Statement

In order to keep growing, Angry Orchard needs to engage with the craft beer mindset to make sure that consumers continue to get excited about their product.

What Needs to be Addressed →

- Psychographic interests of craft beer drinks makes them not inclined to purchase into the "corporate" atmosphere surrounding Angry Orchard

- We want to make Angry Orchard a unique and engaging company that provides drinkers with an **exciting experience** every time they enjoy our drinks

- PRIORITY:
  - Appeal to millennials and **college-aged consumers**
  - Compete with craft-beer industry

3

STP ➣

- Segmenting
- Targeting
- Positioning

Market Segmentation

DEMOGRAPHIC
Age: 21-24

- College-aged consumers

Gender: Males and Females

- Currently focuses on female consumers

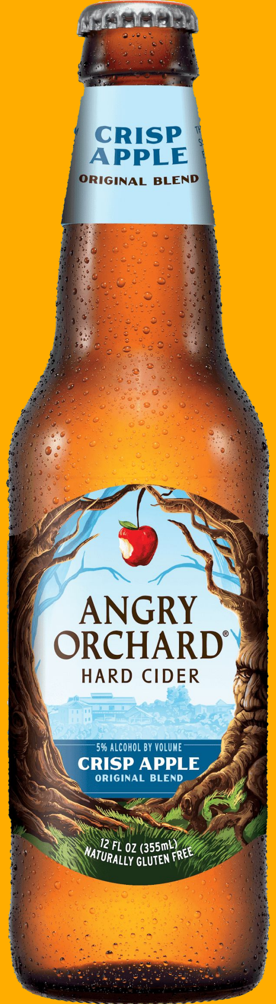
PSYCHOGRAPHIC (*Attitudes/Interests*)

- Digital Tendencies
- Fun/Recreational

SOCIOECONOMIC
Upper middle class families *but* funding alcohol consumption independently

- Not much disposable income

GEOGRAPHIC
Angry Orchard resources allow product accessibility nationwide



Target Market

Current Primary Market: millennial women (31% of hard cider drinkers)

GOAL → Continue to target and reach **millennial** audiences
AND **men**

- Ages : 21-30

Expanding target to focus on ages 25-30

- Middle-class & upper middle class
- College students
- Graduate students
- Young workforce

Positioning

Position the product as a casual drink for hardworking consumers looking to relax with friends and family

- Playing off of “outdoorsy” brand image

- Cider to be enjoyed around friends and family in casual, fun settings **throughout the entire year & in all geographic settings**
    - Creating new seasonal flavors
    - New regional flavors
    - QR code (technology & innovative appeal)
    - Collectibles → unique aspect of the packaging

4

Strategy Development

Strategic Focus

Our Focus → 3 Part Plan

1. **Increase Limited Edition Flavors**
   - Craft Beer Mindset

2. **Collectibles within Packaging**
   (stickers, magnets)

3. **QR Code → Spin the Wheel**
   (chance to win merchandise)
   - Leverage Technology

Marketing Strategy Options

Product

- Limited edition flavors
  - Craft beer mindset
    - Growing industry
  - Holiday centric flavors that appeal to college age consumers

    Examples:
    - Poison Apple (Halloween)
    - Apple Pie (Thanksgiving)

Price

- Angry Orchard Prices
  - $8.99 - $11.99 (6 Pack)
- Craft Beer Prices
  - $8.00-$12.00 (6 Pack)
- Proposed Limited Edition Prices
  - $9.99 (6 Pack)

*Maintain Lower Pricing in Craft Range → Premium Compared to Regular Flavors

Place

- Beer distributors nationwide
  - Accessibility
- On Draft
  - Engage with Craft Experience
- Limited edition flavor displays
  - Front of store

Promotion

- Stickers and magnets hidden in packaging
  - College Age Consumers
- QR Code → Spin to Win
  - Spin for limited edition merchandise
  - Leverage Technology
- Advertise promotions on social media
  - Further connect with college segment

5

Objectives

Key Objectives

Specific → Measurable → Time-Bound

Attract "college-aged"/Millennial consumers between ages 21-35

- Social media sponsorships
- Packaging changes
- Maintain market share (60%) with the increased craft beer competition

Utilize 4P's Promotion and Product through:

- "Spin & Win"/QR Codes
- Collectibles
- Limited release flavors
- Increased social media presence

Increase sales amount each year:
2020: $350M (↑10%)
2021: $375M (↑7%)
2022: $400M (↑7%)

Introduce 15 new "limited release flavors"

Have partnerships/sponsorships with at least 5 major sports teams

- College teams
- NFL teams (Bills, Patriots, Giants)

Increase millennial drinkers' market share from current 24% to 65%

2 year plan:

- Benchmarks every 6 months to review:
  - What has been achieved,
  - What needs to be adjusted,
  - What needs to be completed
- Timeline → Jan 2020 - Jan 2022

TIMELINE

January 2020	July 2020	January 2021	July 2021	January 2022 +

R&D Stage: (January 2020)

Packaging Change→

- Including collectibles
- Creating QR codes on bottles
- Updating website with "Wheel"
- **Ensuring enough supply to meet growing demand**

Outreach Stage: (July 2020)

- **Increasing social media presence**
- **Announcing "Spin to Win" on social media platforms**
- **Consumer online participation → word-of-mouth marketing**

Sales and Sponsorships: (January 2021)

- **FY20 sales to have met $350M goal**
- Introduction of at least 5 new flavors
- 2 official social media sponsorships formed

Continued Outreach → (July 2021)

Strategic Partnerships →

6 month benchmark for FY21

- **On way to achieving $375M in sales**
- **Continued social media**
- **5 new flavors for 2021**
- **2 new sponsorships**

Final Year: (January 2022 +)

- $400M in sales for 2022
- 5 final new flavors
- **Market share for millennial drinkers will have increased from 30% to 65% within 2 years**
- **Maintained 60% market share w/ increased craft beer comp.**

6 Implementation

Implementation Challenges

Communication → Lack of communication or miscommunication across manufacturers, leaders, & suppliers

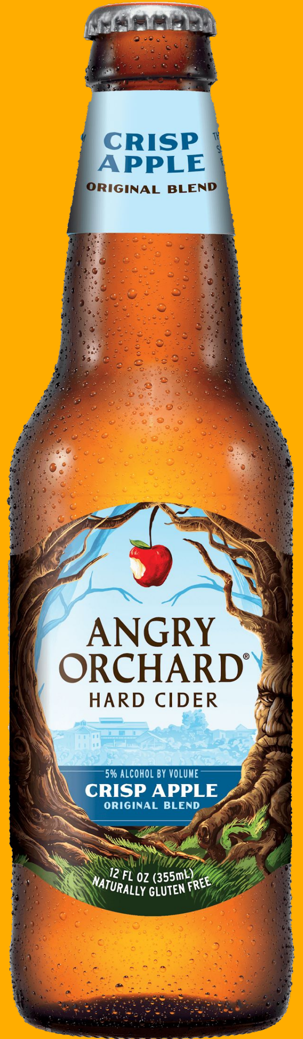
- Unreceptive audiences

Distribution → Worker safety concerns, supplier & retailer consolidation, & manufacturing challenges

Financial Problems → Vulnerability to changing prices

Apple Growth Decline → Delivering new flavors without running out of core product

Competition → From Bold Rock, Woodchuck, Crispin, Redds, Stella Artois Local Craft Beers



Looking Ahead

COMPETITIVE ADVANTAGE

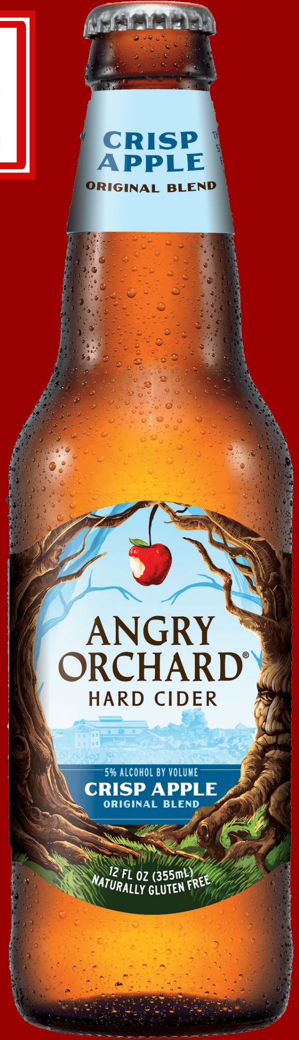
Contingencies to be in place:

1. Forecasting consumer preference changes

2. Monitoring customer feedback
   a. Social media mentions

3. Adapting to what consumers want

4. Watching competitors' pricing, promotion, product and place strategies → responding by adjusting our own
   a. Maintaining competitive advantage



Most Important Implementation Issues

Competition

Overcome threat of competition from small scale & large scale cider producers

Communication

Look for clear/concise ways in getting messages from management to front-lines AND to consumers

Apple Growth Decline

Find the right balance between supply & demand without running out of core product

ANY QUESTIONS?

THANK YOU!

Thank you for a wonderful semester…

Now here’s your chance to Spin & Win!