

**Deliverable 1**  
**9 September 2012**

**Group 2I**

**Daijing Chen**

**Ian Harvey**

**Rachel Hetrick**

**Tommy Jones**

**Josh O'Brian**

**Company Contact Information:**

- Sun King Brewery, 135 North College Avenue, Indianapolis, IN 46202
- Clay Robinson
  - [clay@sunkingbrewery.com](mailto:clay@sunkingbrewery.com)
  - 317-602-3702
- The current products that Sun King Brewery offers are its microbrews. These are distributed to restaurants, bars, and liquor stores throughout Indiana. The brewery facility includes a front of house section, referred to as the Tasting Room, where the public are welcome to sample and/or purchase Sun King's beers.
- To increase Sun King's business, we will offer an expansion of Sun King Brewery's Tasting Room concept by opening a location that will allow the consumption of Sun King's products in a Brewhouse environment. This would offer live entertainment, interactional events, and audio-visual equipment to view ongoing sports offering. Depending on the results from further market research, the new location may or may not contain a microbrewery which would allow for carryout sales on Sundays.

**M301**

- The questionnaire we will develop will be distributed to potential customers. This requires that participants are over the age of 21. The questionnaires will be distributed both in person and online. There will also be targeted efforts in specific locations determined by the proximity of direct and indirect competition. A few questions we would like to answer through this research are:

- Do customers feel that having a microbrewery on site will add value to this location?
  - How many customers will be affected by the ability to purchase alcohol for carryout on Sundays?
  - Do customers feel it is important that the beer we serve is made on site and therefore “fresh?”
- What is the demand for entertainment as part of a brew house experience?
- What are the most popular styles of beers within the market?
- What might drive consumers to pay extra to drink local brands?
- We are planning to conduct secondary research on the following topics before creating our questionnaire:
  - Analysis of the direct and indirect competition
  - Current expenditure on bars/brew houses and entertainment in the Indianapolis MSA
  - Market segment that is able to purchase our product
  - Market segment that drinks microbrews
  - Types of entertainment that can be offered during the dining experience
  - Cultural subgroups within the near downtown Indianapolis area
  - Demographics of the immediate area and surrounding areas
    - Income levels
    - Education levels
    - % Income spent on food and entertainment
- Environmental trends:
  - **Demographics**
    - Baby Boomers retiring
    - Minorities becoming majorities
    - More males staying at home
    - Increase in higher education
    - Life expectancy rate increasing
    - Consumer buying power
    - Asian-American population is the fastest growing segment
    - Increased use of technology at younger ages

- Companies are more culturally diverse

### **Technology**

- Automated services (i.e. Redbox, U-Scan Checkouts)
- Online shopping/ businesses
- Smartphone and tablets
- QR codes
- Ease/speed of transportation
- eBooks
- Social markets moving online
- Increased security measures
- Identity theft through technological

### **Social**

- Diets
- Healthy Way of Life
- Environmental consciousness
- LGBT community more widely accepted
- More written than verbal communication
- Less face-to-face interactions
- Online dating
- Reality TV

### **Cultural**

- Equal sharing of household duties
- Acceptance of different cultures
- Less people getting married
- Having less children
- Seniors are more active
- Movement from cash to credit culture
- Higher expectations of living standards
- Technology links cultures across the globe

### **Political/Legal**

- LGBT rights/ marriage
- FCC regulating Internet

- Job creation
- Government expansion
- Deregulation vs. regulation
- Campaigning through social media
- Political scandals on the rise/ transparency
- State vs. federal

### **Economic**

- Recovery
- Unemployment rate reducing
- Increased tendency toward risky behavior
- Unskilled labor/job opportunities reduced
- More credit/less cash sales
- More individuals investing
- Lower interest rates
- Depreciation of the dollar
- Increasing oil prices

### **Competitive**

- Pricing strategy
  - Loyalty programs
  - Obtaining special terms of service
  - Free Shipping
  - Strong customer service
  - Knowledgeable, empowered employees
  - Demand Specialization of products and services to customer needs
  - Clean technology and low environmental impact
  - Corporate Social Responsibility programs
  - Small Businesses taking away from the large national chains
- Our direct competitors include Upland Brewing Co., Thr3e Wise Men Brewing Co., Scotty's Brewhouse, Kilroy's, and any other bars in Indianapolis. Indirect competition consists mainly of liquor stores, grocery stores and convenience stores.



## **Deliverable 2**

**21 October 2012**

### **Group 2I**

**Daijing Chen**

**Ian Harvey**

**Rachel Hetrick**

**Tommy Jones**

**Josh O'Brian**

### **Company Contact Information**

- Sun King Brewery, 135 North College Avenue, Indianapolis, IN 46202
- Sun King Brewery is a local microbrewery. The various microbrews it produces are distributed to restaurants, bars, and liquor stores throughout Indiana. The brewery facility includes a front of house section, referred to as the Tasting Room, where the public are welcome to sample and/or purchase Sun King's beers.
- To increase Sun King's business, we will offer an expansion of Sun King Brewery's Tasting Room concept by opening a location that will allow the consumption of Sun King's and other local products in a Brewhouse environment. The Tasting Room Sports Bar will be focused on providing a comfortable, relaxed environment to those that live and work in and around the downtown Indianapolis metropolitan area. Live entertainment will be offered in the form of local musicians and standup comedians, an interational trivia night, and audio-visual equipment to view sports offerings.

\*We did not receive permission to work with Sun King on this project, so while we are basing our idea on the company, Sun King is not actually involved in the project.

### **SWOT Analysis**

#### ***Strengths***

- There is strong brand recognition for the local beers offered throughout central Indiana which will be available in the bar. Sun King specifically is a well known brand name. This, along with high customer loyalty to the brand, creates habitual buying habits.
- The downtown Indianapolis location is a high-growth area near the major interstates of I-70 and I-65 and provides easy access to the brewery site.
- The brand holds national awards for beers brewed, which adds prestige and recognition.

- Sun King has proved its high regard for customer service, as great experiences have been consistently delivered at the brewery/Tasting Room during brewery tours and tasting sessions. This builds relationships and strengthens brand loyalty.

### *Weaknesses*

- The company's lack of experience in the brewhouse/bar industry leaves a lot of room for any of the service gaps between the company and its customers.
- Sun King holds a low market share compared across all alcoholic beverage choices offered.
- The product choices lack variety. Only three beers are offered throughout the year. Seasonal offerings can increase supply, but this demand cannot be filled once the beer is out of season.
- The market's inconsistent prices for inputs such as hops, barley, wheat, and aluminum make pricing and forecasting difficult to manage.

### *Opportunities*

**Equal sharing of household duties:** Shopping, cooking, and cleaning are more equally shared in the household: social connotations surrounding gender roles have shifted. It is now more socially acceptable to do activities or buy products that were previously very gender specific. Beer is generally considered a man's drink, but with this new trend more women are drinking it.

**Lower birthrates and fewer children per family:** Estimates on cost to raise a child run from \$5,000 to \$50,000 per child, per year. Couples without children have more discretionary income available to spend on non-essentials. This leaves more time and more money available to go out for entertainment (Izzo).

**Baby Boomers are active and socialize:** This generation is wealthier and more tasked with enjoying the time they have after retirement than previous generations. The youngest baby boomers whose ages range from 35 to 44 purchase the most beers. The emphasis on enjoying retirement, socializing, and finding entertainment means they are more able and willing to spend money on the services our establishment will offer (Clark).

### **Movement from cash to credit culture**

**Higher expectations of goods and services:** Not only do customers expect to experience a high level of service, but also this can be a deciding factor for patrons. Customers are willing to pay up to 13% more at companies that provide excellent customer service (Americans).

**Increase in higher education:** Those pursuing higher education are frequently under pressure. This makes them more likely to consume alcohol and it is an opportunity to sell more alcohol. Also, most of them will be more social and have more chances to go to bars with others.

**Online dating:** We can market through online dating sites to suggest this as a great place to meet for a first date. It is a relaxed environment with a lot to talk about, so this would reduce awkwardness when meeting someone for the first time.

**Smartphone and tablets usage:** The increasing popularity of smartphones and tablets allows people to easily gain instant access to information. One of the main attractions of owning a smartphone is the availability of games, tools, and applications. Applications such as Yelp, Urbanspoon, and TripAdvisor are increasingly popular for finding restaurants/reviews on the go.

**QR codes:** Restaurants and bars are increasingly implementing QR codes on menus for more information about the food, at the bar to offer drink specials or recommend a drink, and on receipts to link to social media sites and virtual comment cards.

**Online social media:** Social media platforms like Facebook and Twitter can increase a company's revenue by saving time, money and resources. Companies can get direct dialogue from current customers and attract new ones. Social media allows companies to easily update consumers, promote events, and monitor reputation.

## **Recovery of economy**

### **Unemployment rate reducing**

## ***Threats***

**Use of technology expected:** The rate of change in technology can make equipment obsolete after 3 years or less, which requires frequent upgrades to technology at generally high costs. With the rapidly changing rate of technology, if the company doesn't keep up with technological trends, it can lose a competitive advantage.

**Higher expectations of goods and services:** This can lead to delivery gaps. When a good or service is not delivered as promised, then there can be costly repercussions involved. Customers tell twice as many people about a bad experience as they do a good one, which causes a very negative impact, especially with the use of social media (Americans).

**More males staying at home:** As more men stay at home, they no longer go to the bar as frequently as before. Our questionnaire results showed that men go to bars more often than women, so bars will take a hit in business if this trend keeps up.

### **More health conscious**

**Environmental consciousness:** As more consumers become environmentally conscious, they may discriminate which businesses to support based on each business's level of "greenness".

**Less face-to-face interactions:** The bar business primarily depends on couples and groups of people coming in. Even those who go to a bar alone typically sit at the bar rail and interact with the bartender(s).

**Indiana Alcohol Laws being lobbied to change:** The Indiana law that prohibits the sale of alcohol on Sundays has been under review for years. Many wish to repeal the law. If repealed there could be less demand for alcoholic drinks being purchased in bars on Sundays, which are important business days for a sports bar.

**Uncertainty regarding tax legislation:** Changes to the Federal tax code could have a negative impact on profits for the business. This would not allow further reinvestment into the business and hurt chances for growth.

### **Increasing oil prices**

### **Unskilled labor/job opportunities reduced**

## **Target Market Analysis**

### **Demographics**

Indianapolis habitants at least twenty one years old make up our market. Based on questionnaire results, our target market consists primarily of women and men who are between the ages of twenty one to forty years. Those older than forty years will still be in our market as about 38% of the total target age population of downtown Indianapolis is over the age of forty.

Those being targeted are post-secondary education students, professionals, and empty nesters. These segments represent a general trend in age range. Students 21 to 29 years old, professionals, 21 to 45 years old, and empty nesters being 45+years old. We will target household sizes of 2 or less with no children and that have enough discretionary income for multiple weekly outings for drinks and

entertainment. Our target consumer will hold or be in the process of obtaining an associate's degree or higher, because having a higher level of education is directly correlated with income levels.

Professionals will be targeted during the times of early evening, the empty nesters in the mid evening, and the students in the later evening. This follows the schedule that many have available to them for going out for drinks and entertainment. Those professionals that go to a bar after work is finished, empty nesters who can go out for dinner and drinks afterwards, and students who many times do not have early morning schedules and stay up later.

The areas of zip codes 46202 and 46204 are in the nearest proximity to the area where our business would be situated. Looking at population data for these zip codes from Nielsen and comparing it to our survey data indicates a strong fit to our target market of students, professionals, and empty nesters.

## **Behaviors**

Generally, according to Mediamark Research & Intelligence of Fall 2011, men made up 63.5% out of total 98,445,000 people who consumed beer in the last 6 months in the US. Therefore, they are our main target audience. Those who are working in management, business and financial operations are the major consumers; among 21,414,000 members of these occupations, data shows that 55.1% drank beers in the last 6 months. Also, people who are living in the Midwest are more likely to drink than people living in any other area. Specifically, 47.2% of 50,234,000 Midwest citizens consumed beers, which takes the highest percentage.

According to 100 questionnaires, 34.96% of consumers prefer domestic beer, 26.02% of them like local microbrews better, and 17.89% of them have a preference for imported beer. As a result, most people living in Indiana likely prefer domestic beer. Therefore, we will mostly provide domestic beer and local microbrews but have some imported beer in stock. In addition, most respondents go to the bar once a week, approximately 31 out of 100 people; 30 respondents out of 100 go to the bar once or twice a month; 25 of 100 respondents go to the bar more than once a week. Normally, most consumers like to go to sports bars, dance clubs, pubs, and lounges. Particularly, consumers prefer sports bars, which makes up 34.04%. Most consumers, who occupy 60.75%, go to the bar in a group as 2 to 4 people. Some consumers, who make up 28.04%, hang in a group of 5 to 10 people. Most of the target audience goes to the bar between 10pm to 12am, which makes up 51.16%. When going to the bar, consumers are looking for the atmosphere, entertainment, and convenience. Almost all of the consumers enjoy live entertainment, especially live bands, DJs, stand-up comedians, trivia, and karaoke. As to the consumer reflection on our idea, 35 out of 100 target audience members would like to go monthly, 21.9% would

expect going to the bar 4 to 6 times a year, 20% would like to come weekly. Every time when they come, more than half of them are likely to spend \$10 to \$30. However, 28.57% of 100 consumers are willing to spend over \$30 but less than \$50. The majority of our target market are coming for outdoor seating, sports viewing, live entertainment, and freshly brewed beer. So we will focus on creating the above features for the bar.

In order to enforce consumer-buying behavior, the stimuli of music and light inside of the bar can manipulate consumers' minds. According to Jeremy Dean, a researcher at University College London, loud music can force people to concentrate on drinking instead of communicating with others. Also, Dean reports that when the music volume changes from 72dB to 88dB, the time for average bar-goers to finish drinking an 8oz draught beer goes from 14.5 minutes to 11.5 minutes. Additionally, dim light creates an enjoyable atmosphere to attract customers to stay and drink alcohol. Therefore, our group is going to have loud music and dim light for the bar.

### **Decision-Making Processes**

Young professionals will always love to go to bars with a great atmosphere, service and reasonably priced beers. They will always want a place to go to just simply drink and have a good time or to celebrate a great occasion in life. They will always have a brand preference of beer that they prefer to drink but being young professional's price sometimes is the most important attribute that can sway their decision on what bar they go to depending on specials prices they may have on beers. Since they want to make sure they get a quality product that they enjoy drinking in an enjoyable atmosphere that they enjoy they may be worth spending more to get the product and experience that they want, as in a beer with a good taste and body with a wide variety of different types or beers and a good assortment of music and live entertainment. With all of the options in mind, they will choose a place that embodies most of their required characteristics of the beer and establishment. After choosing the bar they will expect a crowd of their peers and a great environment to drink reasonably price beers.

### **Influences**

Through questionnaire results and analysis it was determined that influences on a consumer's decision to venture to a drinking establishment come from the atmosphere (37.6%), entertainment offerings (14.8%), convenience (14.8%), and price (13.4%). From this information it is seen that the most heavily weighed factor influencing patronage is the atmosphere of the establishment. The entertainment

that is offered directly contributes to the atmosphere and these statistics show the relative importance of the look, feel, offerings of the venue's atmosphere when a consumer makes their purchase decision.

Influences that determine the decision making process of the target market are based around the customer experience that surrounds the consumption of products offered. A focus for consumers to contribute their patronage will be on the needs of interaction and socialization. Survey results indicate this need by showing that less than 2% of respondents went to a bar alone. This means that those that do go to a bar are more than likely choosing so because of the influences of how it makes them feel when they are interacting and socializing. A bar has historically been a meeting place for friends and strangers alike to interact or be entertained.

The mature nature of the market we will be operating in has predetermined many consumer preferences for service and entertainment types. This allows our business to access those different preferences by providing varied levels of entertainment that impact the type and level of socialization in the environment. Combining the concepts of a sports bar and lounge will allow provision of these entertainment options incorporated into a relaxed, comfortable, and inviting environment.

The entertainment types that are desired by our target market based on survey results are varied from sports viewing, live music, team trivia, and stand up comedy. These factors have a common theme based on socialization and interaction. The most intangible of these is sports viewing as there is not truly interaction between those that are playing the sport and those that view it, but there is a connection between fans and teams. This type of interaction is based on a sense of group-identification; for those that view the sport feel involved in the play because of a chosen affiliation with the team (Smith).

The desire to interact or feel involved in the entertainment is a large influence for our target market. The other forms of entertainment offerings, live music, team trivia, and stand up comedy offer a more physical type of interaction because of being in the physical presence of the entertainment, though still being intangible. These types of entertainment choices are varied in respects to the level of interaction between the entertainer and the entertained. There is more interaction in a stand up comedy set between the comedian and the audience as compared to a sports game or a music set. Consumers desire a variety of entertainment options and the types of entertainment we offer will influence those looking for the level of interaction provided. This allows access to consumers with different preferences for entertainment on different nights.

Age has a large influence on the type of entertainment and environment desired. Another factor is the time of day a person visits a drinking establishment. Preferences in types of music and comedy would be more impacted by age than sports and trivia. The live music and standup comedy options would be

offered later in the evening to allow for different segments and their different preferences to be served at the times most desired. Survey responses showed there to be a time range of 6pm to 3am when a bar was visited. The type of socialization that happens in a bar changes during the course of a night. The matching of these changes in social interaction types will be matched with the levels that the entertainment offers to provide a draw throughout this range of times.

Locating our product in a convenient area to our target market is key. The desired location for the business will in close proximity to Massachusetts Avenue District in downtown Indianapolis. This location is situated within walking distance for many of our target market of residents in the zip code areas of 46202 and 46204 and a short drive or cab ride for the rest. Convenience is an important determining factor of influence. There have been extensive campaigns for many years about the effects of drunk driving and higher enforcement of the laws regarding it. This adds to the influencing factor of being within a convenient distance as many do not want to risk drinking and driving.

The influencing factor of price is not of the highest relative importance when choosing a bar. Though it is important to be competitive on pricing, the perceptions of quality and overall value are important factors of influence (Zeithaml). Competing on price alone will not completely determine a consumer's purchasing decision. A study showed that customers are willing to pay up to 13% more at companies that provide an excellent quality of customer service (retailcustomerexperience.com). The value derived from a service encounter is based on being served, this expectation is inherent and many times overlooked by the service provider, but not by the customer. A consumer shares information about poor service with more people than excellent service. Thus the level of customer service provided is one of the most critical aspects of being able to attract and retain customers.

## **Requirements**

Through our questionnaire of 103 participants 37.58% of them choose bars because of the atmosphere and 14.77% go for the convenience and entertainment offered. 48.25% of the responses liked our project idea because of a comfortable and relaxed atmosphere we described, so it is essential to provide our customers with the promised environment.

Along with a comfortable and relaxed environment, live entertainment was among the top features they would come for, 37.75% would like to see live bands, 19.21% dance to a DJ, and 15.23% would come to play trivia and laugh with comedians. It is necessary for our bar to display multiple TV's for sports viewing pleasure, since 17.7% of replies said they would use this feature and the top choice of bars participants like to go to are sports bars. Outdoor seating was the number one feature individuals

choose would make them more likely to come, so outdoor seating is a must and will give additional seating and help give a comfortable atmosphere by reducing crowded areas.

Local products was among the top ideas people liked about our idea with 20.18% and 26.02% of prefer local Microbrews. One of the top aspects we can provide is serve a wide variety of local Microbrews from all over the city and state. Over half of the responses we received what they liked least of our idea was a lack of variety and 14.63% stated that they do not drink beer. According to a Gallup study done in August this year, beer is the number one most consumed alcoholic beverage of 39%, but is closely followed by wine with 35% and least consumed liquor with 22% (Saad). Looking at our target market age of 21-40, 62% of Males in that age range prefer to beer and 45% of women prefer wine (Saad). From this information and the replies we have received from the questionnaires it will be important to also serve a list of local wines and liquor.

**Sales Forecast**

**Product Concept Test Survey** (See Appendix B for calculations)

	<i>Forecast \$</i>	<i>Forecast Visits</i>
Year 1	\$ 547,998	19,568
Year 2	\$ 821,998	29,352
Year 3	\$ 1,095,997	39,136

**Divide and Conquer** (See Appendix B for calculations)

	<i>Forecast \$</i>	<i>Forecast Visits</i>
Year 1	\$ 440,000	15,714
Year 2	\$ 660,000	23,571
Year 3	\$ 880,000	31,429

We will be using the Product Concept Test Survey as our forecast. It is more accurate because the figures are specific to our geographic location and to our target market. The Divide and Conquer method was generalized because it was created based on a national average sales figure, and did not incorporate information on how often customers might visit our bar or how much money they anticipate spending

there. It could not forecast our sales as accurately because it also did not deal with our specific bar, what it has to offer to our target market, and how consumers will react to that.

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