

UNIVERSIDAD ESAN



La Tula Bar

Thesis submitted in partial fulfillment of the requirements for the degree of International
Master of Business Administration by:

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EXECUTIVE SUMMARY

Business Proposal of Artisanal Brewpub in Managua, Nicaragua

This thesis aims to establish an artisanal brewery in Altamira, Managua as business plan to obtain a Master Degree.

There has been a noticeable growth concerning the consumption of artisanal beer in Nicaragua. Presently, there are four artisanal beer manufacturers in the country and there appears to be a growing acceptance of this industry by the population. Nevertheless, because the market is still new, there is still room for innovation and diversity concerning the styles of artisanal beer and more so, the product and service offerings that is available to this industry.

The objectives of the thesis are to study the domestic market and the feasibility of the business. The brewpub intends to target men and women from the city of Managua between the ages of 24 to 55 and in the low to high class segments. This accounts for approximately 4.34% of the population and is estimated at around 24,412 persons. The idea of the brewpub would be to produce three styles of artisanal (craft) beer onsite and for sale at the pub (referred to as “on-trade”). The brewpub will be called “La Tula”, which is a name that is known affectionately and colloquially in Nicaragua as “someone who likes to talk a lot”. La Tula will provide highly innovative artisanal beers sophisticated and sensual in taste in a warm and inviting atmosphere with exceptional service. Unlike other pubs, the microbrewery will be visible in the brewpub and therefore offer a very special experience for its customers so that they feel an intimacy with the process and the product.

During the month of December 2015, the market research was conducted in Managua, which involved an exploratory and descriptive research respectively. The exploratory aspect of the market research was done through a focus group of six persons. The idea of the focus group was to discover some key consumer insights

about the business idea and specifically artisanal beer. The participants indicated that they were not very familiar with the artisanal beer process but that they tasted artisanal beer before and they acknowledged that artisanal beer was different from industrial beer in terms of overall quality (with artisanal beer having better quality). In general, the participants accepted the idea of the brewpub and suggested that the décor should be more rustic in keeping with the artisanal theme. Furthermore, that the name of the brewpub should be something unique to Nicaragua and in Spanish. In the focus group, the moderator offered a taste of artisanal beers from Peru to the participants. In general they enjoyed the taste, smell and texture.

The descriptive aspect of the study involved the distribution of 105 surveys to participants. The survey was distributed through Facebook and snowball sampling was used to capture the full sample. The purpose of the survey was to gather quantifiable data in order to make some assumptions about the expected customer base and also for financial analysis. The general conclusion was that 69.1% showed an interest in the idea of the brewpub and inside this group, 87.1% would visit the brewpub. They also established a price range that would be acceptable for 330ml. which was between \$80 to \$100 córdobas. In terms of frequency of visiting the brewpub, 22.3% stated that they would visit the brewpub once per week and 34% stated every 15 days. Additionally, 61.3% stated that they would consumer two to three glasses with each visit. This information was used to primarily conduct an operational and financial analysis of the feasibility of the brewpub.

Regarding to business' marketing strategy, it involves a combination of the marketing mix. With respect to the place, the area of Altamira was chosen as it is strategically centralized in Managua, therefore there is ease of access for persons coming from the north and the south. It is also a commercial district with affordable rent. The actual brewpub will be designed according to a rustic décor, including wooden chairs and tables. The products offered would be three styles of beer, including a Pale Ale, Indian Pale Ale and Stout. These three styles were chosen to offer three varied styles in taste to the population. The price will be \$80.00 córdobas (NIO) (including VAT)

for each style of beer. The brewpub will also offer Buffalo wings for sale, which was considered an appropriate complimentary “light meal” for beer and it is also popular in Nicaragua. The promotions will heavily rely on social media, as the brewpub will establish a website, a Facebook page, Twitter and Instagram accounts. The brewpub would also try to establish a framework to develop craft beer tourism in Nicaragua forming partnerships with local restaurants, tour operators and even other artisanal beer producers in Nicaragua. Furthermore, it will rely on positive word-of-mouth to spread the word about the brewpub. In that regard, it is imperative that the brewpub exemplify all the qualities of exceptional service and overall provide a pleasurable experience for the customer.

The brewpub considers that the idea for this business is unique in that the factory (brewery) will be located in the pub itself. With that, the operations and its activities become more complex and it must be carefully managed in order to operate effectively. The brewpub will employ a beer master and he/she will be responsible for the management of the brewery and the manufacture of beer on the premises. The production process goes through three main phases from the warehouse, to the manufacturing process and finally the finished warehouse. The brewpub also considers that its personnel will be imperative to the success of the brewpub. In order to ensure service quality, its employees will be trained and this will be continuously reviewed and improved to ensure customer satisfaction. Customer satisfaction will be rated through the use of the brewpub’s website, the use of on-site surveys and developing a customer data base, where the brewpub will monitor potentially important consumer trends to optimize customer satisfaction and align its marketing efforts accordingly.

The financial structure for the business will be 59% equity and 41% debt. The total investment will be C\$2,291,386.45 million of Nicaraguan córdobas (NIO) which includes: equipment, working capital and other expenses. The business considers that it will rent a building for the establishment of the brewpub, which has a good impact in the economic cash flow because the cost of renting is relatively low. Additionally,

the business estimates that it will produce around 44000 liters of beer annually and serve 100 people per day. Regarding the economic cash flow, the business is projecting an evaluation time of 5 years that includes 2017 through 2021. Through this financial analysis, an APV of C\$2,369,802.88 million of Nicaraguan córdobas (NIO) and an IRR of 76% was obtained.

In order to confirm the results from the scenario analysis, a Monte Carlo simulation was conducted to examine the correlation of these variables and their effect on the APV. The simulation affirmed that price and quantity are critical variables for the business and have the most effect on the APV. Whereas the investment variation and cost do not have major effects on the business.

The risk analysis for this brewpub shows the main factors that could affect the success of the brewpub include an extended delay for repairing broken equipment, substandard service and low quality of raw material. Therefore, it will consider a variety of contingency plans to mitigate the likelihood of these events and or to minimize the disastrous effects that they could produce.

In conclusion, the business aims to implement a creative idea for the artisanal beer industry in Managua, Nicaragua. From its key strategic plans that have been summarized above, including, marketing, operational and financial, it is believed that the plan is feasible and would be a dynamic and successful addition to the Nicaraguan market.