

Case Study #2 Spend Money to Make Money
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Abstract

SABMiller, the world's second-largest brewing company, is facing a new challenge in South Africa. The company has a desire to market a flavored beer to South African women. The challenges that SABMiller must overcome are cultural-traditional norms as well as the targeted demographics do not frequent bars. The SABMiller company has gone through the process of analyzing substantial amounts of data to aid in the decision process on how to market to the targeted demographics. (Scandura, 2016). The Johannesburg director, Maurico Leyva, has identified the problem and submitted a proposal for a solution implementation of five million dollars to renovate the bars and taverns, making those selected establishments appealing to South African women. SABMiller must weigh the risk factors regarding gains and losses while deciding if this would be a good investment (Scandura, 2016).

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SABMiller has an investment decision to make regarding their new flavored beer. The target demographics for SABMiller's new product is South African Women. According to the information provided, South African women traditionally do not drink alcoholic beverages and for their safety, do not visit bars. The question being proposed is, does spending money make money? In the case of SABMiller, the answer is yes, it does take spending money to make money based on the information provided and the various decision-making models.

SABMiller executives appear to have utilized the Rational-Decision-Making Model to define the problem, which is how to market to women of South Africa, as well as gather data and analyze information (Scandura, 2016). They took an additional step in their marketing efforts by tasking the female representative, SABMiller managing director in Johannesburg, Mauricio Leyva, to help them effectively market to women in South Africa.

Mauricio Leyva also utilized the Rational-Decision-Making Model to gather data and present a creative solution to the SABMiller's executives. After her presentation, the company had to decide about making two choices based on limited data, the uncertain future consequences versus uncertain future preferences (Scandura, 2016). The company may face a backlash due to the cultural norms of women in South Africa. The uncertain preferences could be that South African women would still be afraid to attend bars or prefer not to drink, based on the information provided to this writer in the case study (Scandura, 2016). Mauricio Leyva, who has a connection to South Africa, sees the investment risks far outweighed any potential losses. The investment SABMiller is being asked to make is assuming both a short term and long-term risks. There may be some losses in the short term, but the evaluations of the long term expected values will yield positive cumulative gains when utilizing the prospect theory of risk assessment. (Webb & Shu, 2017).

Though the information provided to this writer is limited, the data received in this study suggested that out of an unknown number of bars and taverns in South Africa, SABMiller will identify and invest in only 6,000 bars to make them more appealing to women. This is the rational heuristics model. This model suggests “if one object is recognized and the other is not, then the inference is determined; no other information about the recognized object is searched for and, therefore, no other information can reverse the choice determined by recognition” (Goldstein & Gigerenzer, 2002, p. 82). It is in this writer’s opinion, if SABMiller invest in the 6,000 bars in South Africa, then South African women will forget about the other bars and taverns because they do not meet the new criterion of safety and appearance.

The problem has been identified, a creative plan has been generated and a solution implementation has been submitted to the executive leadership of SABMiller. If this writer was tasked with the decision of accepting or rejecting the South African bar proposal, this writer would vote to accept the proposal and invest in the project. This writer’s opinion is the potential gains is greater than the risk of loss. This writer’s opinion is shaped Kahneman and Tvesky work on the prospect theory of decision making (Scandura, 2016). This theory assesses the decision maker’s risk threshold of being aggressive or conservative. The managing director presented a plan that was appealing to women, from a woman’s perspective. The investments in the bars and taverns would not only reach the targeted demographics, but also attract a newer cliental due to the establishment improvements. Based on the Kahneman and Tvesky model on prospect theory, the risk of the initial investment outweighs the potential loss because of expanding exposure, increasing revenue, and cliental (Scandura, 2016). If SABMiller is more conservative or emotional in their decision, they will not invest for a potential unknown risk factors becoming content with limited losses, minimum exposure of their product, and limited positive revenue

(Scandura, 2016). The proposal submitted by the director appears to have a better chance to succeeding with a positive revenue stream.

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