

# Kaunlaran

2011 January–February Vol 44 Issue 1

[www.sanmiguel.com.ph](http://www.sanmiguel.com.ph)

In this issue **2** HISTORICAL HIGH POINT. SMC's President and Chief Operating Officer Ramon S. Ang talks about the values he hopes every employee will embrace **4** AGAINST THE ELEMENTS. Team Balangay sails home to a jubilant Philippines **20** DIGGING DEEPER FOR GROWTH. San Miguel's foray into the mining industry is both a profitable business venture and a solution to the looming power crisis

## GREAT EXPECTATIONS



# Historical high point

President and COO Ramon S. Ang sits down with **Kaunlaran** to talk about why he considers 2010 a very good year for San Miguel



San Miguel is riding high these days. Stock prices of the parent company, and its beer and food subsidiaries are at an all-time high, outperforming a market that's showed renewed vigor in the last half of 2010. All SMC's core businesses are doing well, as are the company's power subsidiaries under the umbrella of the San Miguel Energy Group. But while SMC's current robustness owes something to the improving economy and the general sense of optimism that's greeted the new government, San Miguel's success can also be put down to the fact that management's strategy for taking advantage of those improving sectors and markets is beginning to take hold.

The company is capitalizing on plans to ramp up private investment in the Philippine infrastructure sector, and in recent months, has been raising and freeing up funds for new strategic investments. This shift in strategy illustrates the general attractiveness of the prevailing investment climate and the potential rewards on offer for the 120-year-old conglomerate.

Kaunlaran spoke to SMC's President and Chief Operating Officer Ramon S. Ang about the past year, the importance of "one San Miguel" and the values he hopes every San Miguel employee will embrace.—KGL

## How would you assess 2010?

Sa palagay ko, magandang taon para sa atin ang 2010. I think we can all feel proud at how things have gone. *Lahat ng mga businesses natin ay naging maganda ang performance.* They did what was expected of them in terms of pushing sales, keeping costs down and generating profits. We ended the year with revenues exceeding US\$12 billion—the first company in the Philippines to break the US\$10 billion mark. That's a huge achievement. The value of our stocks—San Miguel parent, San Miguel Brewery, San Miguel Purefoods—are advancing at an all-time high. As a company, we're on a bull run.

There were a number of successes during the year that continue to contribute to our present growth and create opportunities for further growth and profitability. We expanded in key areas, driving down costs and effecting synergies across many of our critical business processes. Petron is very much a part of the San Miguel Group and they are contributing strongly to our bottom line.

Our traditional businesses have held their own. Packaging is doing well overseas, competing for exports and standing out in terms of product quality. *Syempre,* Beer is doing well, *katulad din ng Ginebra.* Food has improved a lot in terms of

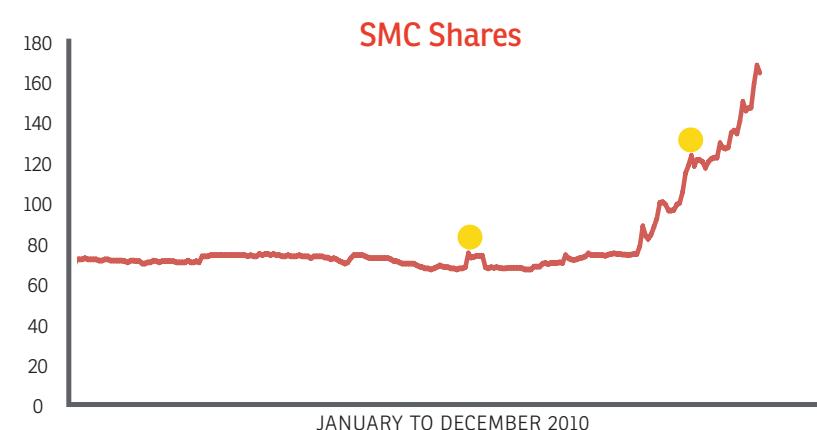
competitiveness and profitability. In fact our core businesses are gearing up for another round of expansion. San Miguel Brewery is adding another bottling line in South Luzon to meet demand and we have several poultry, hog and feeds expansion programs in the pipeline.

A special message to my friends in the Food sector: I'm very proud of how they kept their focus *kahit na napag-uusapan natin noon ang pagbebenta ng business.* Given all the uncertainty, that must have been difficult, but they held up their end and did very well.

Going into the next decade, it's about how we, as San Miguel Group, take on the opportunities now being presented to us. We need to broaden and deepen the effects of our initiatives over the last two to three years.

## Some people say San Miguel is into too many things, that we have way too many priorities. How do you respond to that?

In terms of priorities, I wouldn't say we have too many. Our portfolio is obviously more diversified, but the priorities are the same. Focused *pa rin tayo sa growth, at sa pagpapalago ng ating business.* *Iyan naman ang ating No. 1 priority simula noon, at sa palagay ko ay tayo naman ay naging disciplined tungkol diyan.* There's



been a huge improvement in execution across almost all our businesses. We've managed to generate savings out of many of our processes, whether in purchasing or manufacturing.

**As the company reduces its stake in the consumer product segments, how will the parent firm look like after it has integrated its investments in heavy industries? About what portion of revenues will come from its traditional businesses and what percentage will be from these new industries that the company is going into?**

*Mahirap pang sabihin ngayon, dahil tayo ay nasa* very early stages *ng ating* diversification strategy. *Pero sa palagay ko*, over time, we're looking at a 70:30 mix, in favor of our new investments. *Alam mo naman*, power is pulling its share of the weight. Revenue-wise it's contributing a lot to our earnings. San Miguel Global Power Holdings has become the largest power producer in Luzon with a combined capacity of 3,165MW and a state-of-the-art platform on which we can further build our power business. Our market share in terms of total installed capacity for the Luzon power grid is over 29% and the sector's contribution to the San Miguel Group revenue is around P58 billion. In a year or so power could overtake our traditional businesses to become the largest business segment in SMC.

**Could you name three adjectives to describe San Miguel?**

Aggressive. Performance-Driven. Bold. Over the last few years you've seen us pull away from our traditional core businesses of food and beverage. *Dahil sa ating mga* strategic acquisitions and new businesses, we've put together a portfolio that can deliver for our company a combination of value and growth.

We've really "recreated" ourselves. I think that would be the correct word to use. We've become less dependent on our traditional business and have ventured into non-allied businesses like properties, banking, oil refining, energy and mining, power, infrastructure and other utilities.

Perhaps most importantly, we've changed our culture into one that is focused on results. In today's environment, you have to really step up the pace if you want to even just stay ahead of the pack. You have to step up on the number of products in the pipeline; you have to be faster to market; you have to be cheaper than everybody else and provide better quality. You have to innovate with what you have—whether it's in terms of products, or how you produce those products. You have to be able to anticipate what the market wants, and do a lot of forward planning. You also have to be willing to reinvent who you are. That's what you're seeing from San Miguel today.

**You talk a lot about culture, how have you contributed to that and how important is it going to be in the future with SMC getting bigger and bigger?**

One of the reasons I feel our company has been as successful as it's been is because we maintain a healthy outlook on change. Over the last 12 years, we've done things

right, we've made some missteps and we've adjusted as needed. When the times called for centralization, we centralized. When it was becoming clear that we could get the results we wanted, we opted for a more flexible and decentralized organization. *Ginawa natin ang mga kinakailangang gawin*. And that's because we have enough pride in ourselves and our organization to have the courage to constantly strengthen, refine and change strategies when it's clear that they are not delivering the results we know our shareholders have come to expect from us, or if there's simply a better way to do things.

So it's this kind of willingness to change and accept change that I really hope becomes part of our culture.

It's very important that even if there are so many operating units to have a common culture. *Ang lagi ko ngang sinasabi sa aking mga* direct reports, *lalo na sa* HR, is to make sure that everybody feels that they are part of a larger family, a larger San Miguel. No matter what part of the company you're at, you're part of one San Miguel. It's great that we're now all here at HOC. Petron is here and we're happy to have them around.

Through many different ways, we need to try to inculcate a common culture across the Group—whether it's through 'soft' initiatives like a Christmas party or Halloween party, or compensation or a rewards system. It's important that our employees feel they belong to something larger than their own work unit or company.

**Earlier you said we are front and center of Philippine economic development, that's a very deliberate strategy on your part?**

Yes. As someone who loves his country and wants it to succeed, I'm happy that San Miguel can make a difference. The mood we're seeing in the country these days is one of optimism. You're seeing it in the capital markets. In the last quarter alone, a good number of companies did initial public offerings (IPO) to take advantage of the momentum we were seeing in the economy. Our main index was one of the best performers in the region, rising by about 40% last year. Foreign investors are taking a second look at the Philippines and local companies, San Miguel included, are serious about sinking their money into the country.

The new businesses we are participating in can create the conditions for even more growth. When I think about San Miguel's investments in our tollways and mass transit system or domestic airports, I see job creation. Jobs for the people who are going to build this infrastructure so that they'll have money to bring home to their families. More money in the pockets of farmers, small businessmen and consumers whose lives are going to be made better because of the roads we are building and the transport systems we're investing in.

Confidence is returning to the Philippines. San Miguel looks forward to playing a significant role in making sure that sense of optimism and confidence never leaves us. 



**"ONE OF THE REASONS I FEEL OUR COMPANY HAS BEEN AS SUCCESSFUL AS IT'S BEEN IS BECAUSE WE MAINTAIN A HEALTHY OUTLOOK ON CHANGE"—RSA**



## Against the elements

Thousands of kilometers and six countries later, team Balangay sails home to a jubilant Philippines

They had only the wind at their back and the wisdom of our pre-colonial ancestors to guide them. Thirty nine men aboard the *Diwata ng Lahi* (Fairy of the Race), *Masawa Hong Butuan* (Radiance of Butuan) and the *Sama Tawi-Tawi*—three wooden sailboats built using the ancient shipbuilding methods of the Badjaos—for four months braved rough seas, evaded violent storms and alas, even immigration bureaucracy to sail across six countries using only the sun, stars and wind to chart their course.

It was a feat perhaps equaled only by the historic conquering of the summit of Mt. Everest, accomplished by the same elite team headed by former DOTC Undersecretary Arturo Valdez of *Kaya ng Pinoy Inc.* a few years prior.

This was the Voyage of the *Balangay*, a proverbial man-against-the-elements tale of courage, skill, wisdom, and ultimately, a leap of faith that the Filipino can beat the odds. *Kaya ng Pinoy*, indeed.

"We have reconnected the present with our glorious, historical past, and we have inspired and stirred national pride in the hearts of Filipinos here and abroad," says Valdez. "The story of the *Balangay* is our story; it is a story of a free and liberated people. Throughout our journey, we were one as a people. The waters were there not to divide us; they were there to unite us. We consider this a voyage of unity."

The team launched the Philippine Balangay Expedition in September 2009 to retrace the pre-Hispanic transportation and trade routes of early Filipinos using reconstructions of the *balangay*—an indigenous watercraft unearthed in Butuan City in 1975. The team received enthusiastic support from Filipinos not only back home but also in countries where it had docked. "Our countrymen even came to our rescue several times, when supplies ran low or when storms would drive us off course."

He shares the story of the team almost being unable to pass through a Singaporean port because they were being asked for documents by the immigration department—papers which they did not have. Moments later, they heard voices, Filipino voices, on the radio, clamoring for the local officials to give them passage. Later, upon seeing the San Miguel sail, the *Pinoy* seafarers jokingly asked for San Miguel Beer to be sent over, because "they assumed we had a lot of it on board," says Valdez with a chuckle.

The Philippine leg of the expedition was sponsored in part by non-government organization Butuan Global Forum Inc., while the international voyage, which spanned 12,600kms from Butuan City to Brunei, Malaysia, Singapore, Thailand, Indonesia and Cambodia, was supported by San Miguel through its property arm San Miguel Properties.

"This is something that all Filipinos can truly be proud of and we are honored to have been part of this undertaking," says Ramon S. Ang, SMC President and Chief Operating Officer—support that Valdez acknowledges wholeheartedly noting that "without them, *ang Balangay hanggang Pilipinas lang*."

"This is very much aligned with the new positioning of San Miguel Properties, and our vision of bringing Filipinos to the promised land," says Ang. In pre-colonial

Philippines, it is important to note that the term *balangay* or *balanghai* referred not only to the sea vessels, but also to the tight-knit, datu-led communities aboard them.

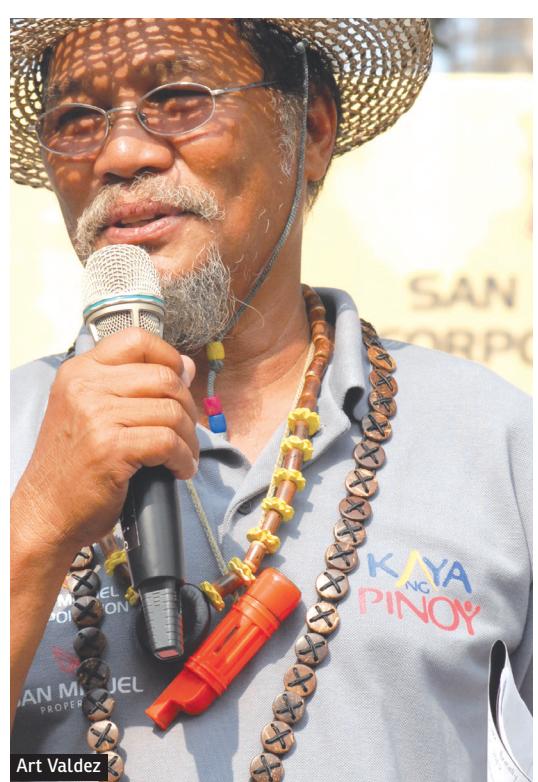
Adds Ang: "We see our mission as building communities that are centered on God and people. As part of a 120-year old company that has been part of Filipino history, we feel that it is about time that we give what is due to the people who have made us who we are today."

In 2011, the Balangay team hopes to push further into Madagascar and the French Polynesia—with continuing sponsorship from San Miguel Properties.

"We championed this initiative in part because we wanted to build brand awareness," says Karen Ramos, Sales and Marketing Manager of San Miguel Properties. "To further move away from the conventional real estate wisdom of "location, location, location," and continue to drive home our mantra of "People, People, People." We don't want people to buy houses 'off the rack.' We want them to find homes that they can pass on from generation to generation."

She continues: "Ultimately, our goal is to touch the souls and lives of every Filipino; and through our support of The Voyage of the Balangay, as well as a number of other initiatives such as Monte Maria, we are hoping to achieve just that." ☈





**"ULTIMATELY, OUR GOAL IS TO TOUCH THE SOULS AND LIVES OF EVERY FILIPINO; AND THROUGH OUR SUPPORT OF THE VOYAGE OF THE BALANGAY, AS WELL AS A NUMBER OF OTHER INITIATIVES, WE ARE HOPING TO ACHIEVE JUST THAT."**

—Karen Ramos

Art Valdez



# TARGETING GROWTH

with contributions from Abi Souza-Mungcal, Lionel Lopez-Dee, RB De Guzman, Paola Lepatan, Michelle Nepomuceno and Bunny Vargas-Unlayao

Design by Inksurge

Over the past year, San Miguel's performance, particularly in its new industries, has been nothing short of phenomenal. Strategic investments in power, infrastructure, telecommunications and mining have helped the company reach an all-time high not only in terms of generating positive shareholder returns through record stock prices, but also in improving its competitiveness and profitability. Below, some of the breakthroughs of 2010:

## JANUARY

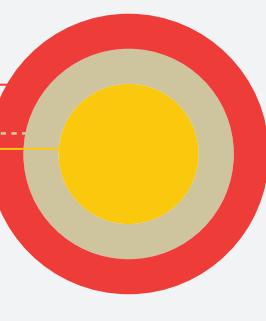
4 SMC president and chief operating officer Ramon S. Ang is named to Wall Street Journal's elite Asia power list 

6 SMC acquires a 49% stake in Top Frontier 

29 San Miguel Brewery Inc. acquires 100% of SMC's overseas beer business 



Petron completes the first phase of its retail network expansion program. Two hundred service stations across the country were opened, bringing Petron's total service station count to 1,650—the largest retail network in the Philippines



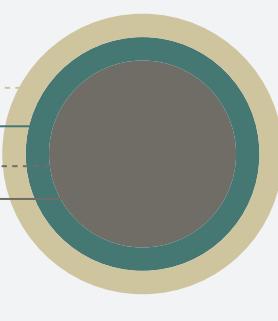
## MARCH

3 SMC discloses plans to acquire a majority stake in Ausphil Tollways Corp.—the consortium behind the North Luzon East Expressway (NLEE) 

5 Top Frontier conducts a tender offer for SMC shares at P75 per share 

8 Through San Miguel Energy Corp. (SMEC), SMC acquires 100% of the outstanding capital stock of Daguma Agro Minerals, Inc. The potential coal reserves of the Daguma concession area is said to have the capacity to fuel a 2,000MW coal power plant 

17 SMC bags contract to manage the 1200-megawatt Ilijan natural gas-fired power plant in Batangas 



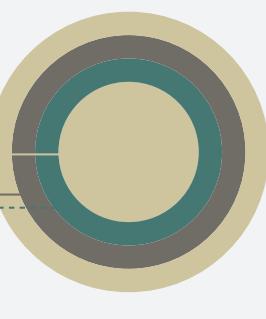
## AUGUST

17 SMC acquires controlling stake in Bell Telecommunication Philippines Inc. (Belltel) in an effort to shore up its entry into the highly competitive voice, data, and video business. San Miguel today owns 100% of Belltel 

20 Petron introduces Petron Turbo Diesel and Pinoy Diesel—two pioneering fuels targeting the high-end diesel and Public Utility Vehicle-gasoline markets, respectively 

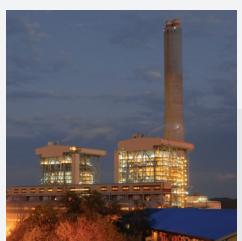
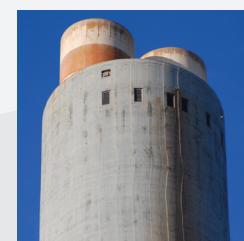
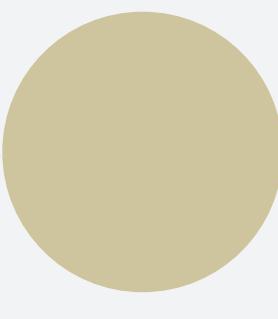
26 SMC implements the declassification of SMCA and SMCB shares into SMC common shares (SMC). 

31 SMC purchases over 1.5 billion common shares of stock of Petron from Sea Refinery Holdings; effectively increasing SMC's ownership in Petron to 38.19% 



## SEPTEMBER

10 San Miguel acquires 100% of Global 5000 (which has been renamed to SMC Global Power Holdings Corp.). SMC Global Power is the holding company of SMC's four power plants 



15 SMC Infrastructure-subsidiary Rapid Thoroughfares Inc. begins Phase 1 construction of the Tarlac-Pangasinan-La Union Expressway (TPLEX) 

15 Through subsidiary TransAire Development Holdings Corp. (previously CIADC), SMC takes over operations of Boracay airport in Caticlan 

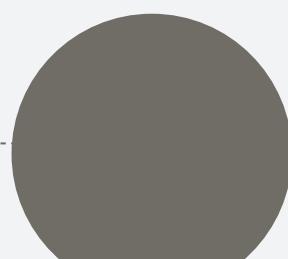
15 SMC completes acquisition of 10.1% initial stake in Indophil—an Australian mining firm that owns a 25% stake in Sagittarius Mines Inc., which owns the rights to the Tampakan gold and copper mine in Davao 

28 Through wholly-owned subsidiary San Miguel Holdings Corp. (SMHC), SMC acquires 51% stake in Universal LRT Corporation (ULC) that will pursue the construction of the Metro Rail Transit Phase 7 project 



- Corporate citations
- Corporate acquisitions
- Core business-related milestones
- Shares-related developments
- New business-related achievements

## APRIL



SMC acquires Caticlan International Airport Development Corp. (CIADC) through a share sale purchase agreement

**5** SMC conducts a tender offer for over 4.6 billion Petron shares at P6.85 per common share.

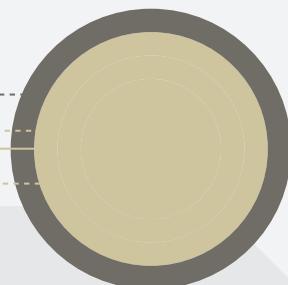
**24** Magnolia Ice Cream inaugurates its very own plant in Sta. Rosa, Laguna with a rated capacity of five million gallons of ice cream per year ☑

**26** San Miguel confirms acquisition, through SMEC, of 100% of Bonanza Energy Resources, Inc. and Sultan Energy Phils Corp.—companies which hold coal mining rights in Mindanao

**31** At its annual stockholders meeting, shareholders grant SMC approval for the declassification of its Class A and Class B shares and the authority to sell the corporation's stake in its major subsidiaries such as beer, packaging and food



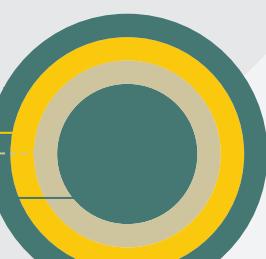
## OCTOBER



SMC completes turnover of a total of 147 hectares of land to the Panaw Sumilao farmers of Sumilao, Bukidnon. ☑



## MAY



Petron is cited as one of Best Governed Publicly-Listed Companies by the Institute of Corporate Directors (ICD) for the 5th straight year

**12** In a move seeking to further integrate its petrochemicals business, Petron acquires a 40% stake in Petrochemical Asia (HK) Ltd. (PAHL), owner of Philippines Polypropylene Inc. (PPI), which in turn owns a polypropylene (PP) plant in Mariveles, Bataan. ☑

**29** San Miguel Properties introduces new projects and endorsers at the Philippine Real Estate Fair as part of its rebranding efforts. Its slogan: "People, People, People" ☑



## NOVEMBER

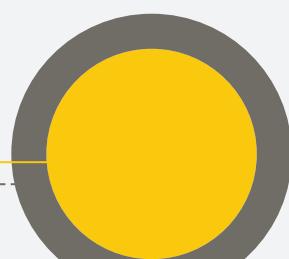


**8** SMC lists over 870 million preferred shares worth P65.5 billion at the Philippine Stock Exchange. Offered at P75 per share with a dividend rate of 8% per annum, prices closed at a whopping 50% over the list price at P112.50. ☑

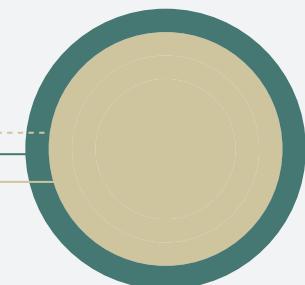
**15** SMC exercises the option to acquire 60% of the outstanding shares of Sea Refinery Corporation—a total of 24 million shares—making it the beneficial owner of approximately 68% of the outstanding and issued shares of stock of Petron.

**30** SMC, through Vega Telecom, Inc., executes a Share Purchase Agreement with ISM Communications Corp. for the purchase by Vega of 100% of the outstanding and issued shares of stock of A. G. N. Philippines, Inc.—the latter the owner of approximately 40% of Eastern Telecommunications Philippines, Inc.

## JULY



## DECEMBER



# Great expectations

History, it's been said, is never what you thought, but what you can remember. And looking back to 2010, there were a lot that were memorable as our company made huge strides in terms of redefining its business portfolio.

**Kaunlaran** invited some SMC employees to cast a backward glance at the year just past and to share their thoughts about the New Year.



LUBIN NEPOMUCENO  
Petron Corp.

“These are very exciting times for the San Miguel family. In the last couple of years, we've seen San Miguel undergo a massive strategic transformation program.”

<read more on Lubin on page 9>



HAZEL SAGISAG  
San Miguel Brewery Inc.

“There's no question about it, San Miguel will be the biggest, most diversified conglomerate in the country.”

<read more on Hazel on page 9>



REGINALD BAYLOSIS  
San Miguel Pure Foods Co. Inc

“I expect San Miguel to shoot up, not just in the rankings of the food sector, but also in the food and the non-food sectors combined.”

<read more on Regi on page 10>



OLIVER GORROSPE  
San Miguel Yamamura Packaging Corp.

“Because of the new structure and its foray into other businesses, I see San Miguel progressing very well in the coming year—it is conquering new frontiers”

<read more on Oliver on page 10>



KAREN RAMOS  
San Miguel Properties

“I'm excited to see the new direction of San Miguel Properties because we are concentrating on addressing the growing housing needs of our employees”

<read more on Karen on page 10>



MICHELLE NEPOMUCENO  
Ginebra San Miguel Inc.

“I am confident that SMC will continue to drive progress and growth especially if it will focus on the key elements/factors that have fueled its past performance”

<read more on Michelle on page 10>



#### Lubin Nepomuceno, Petron Corp.

These are very exciting times for the San Miguel family. In the last couple of years, we've seen San Miguel undergo a massive strategic transformation program. We've seen San Miguel diversify from its core businesses into industries such as power, utilities, mining, banking, telecommunications, infrastructure and oil. Moving forward, we expect SMC to move aggressively and expand into areas that will deliver significant growth and value for its stakeholders. More importantly we see SMC, with all its initiatives driven by its various subsidiaries, becoming a catalyst to national development.

At Petron, we have already seen early "wins" and have benefited greatly for being part of the San Miguel family. There are several synergies already in play including supplying fuels to SMC's growing businesses especially in the areas of power, infrastructure and logistics, i.e.; port and depot operations; and shipping. SMC has also tapped into Petron's extensive service station network to market its various food and beverage products. We are also seeing a strategic fit with SMC's banking and telco unit. For instance, we can leverage Petron's network to drive demand for other products and services that SMC offers (e.g. ATM's, WiFi etc.). These should further increase customer delight and result in more traffic at our stations. The possibilities are endless.

We want to be the leading provider of total customer solutions in the fuels and energy sector. This means that amid the challenging environment, we will continue to pursue growth and expansion, introduce more innovative products and services relevant to Filipino consumers. This vision is underpinned by our key drivers for long-term growth and profitability, namely our refinery operations, efficiency and productivity programs, aggressive retail network expansion, petrochemical diversification and improvements across our supply chain.

In the past few months, we have been able to introduce pioneering fuels that meet the unique needs of Filipino motorists. For instance, we just launched the new Petron Blaze 100—the first-of-its-kind premium

gasoline in the local market that has the highest octane rating. While this is targeted for high-end, high-performance vehicles; ordinary vehicles get the same improved fuel economy and power because of its very high octane rating. We are also proud to have introduced Petron Turbo Diesel—a technologically advanced diesel fuel and Petron Pinoy Gasoline—a more affordable and improved gasoline formulation for public utility vehicles.

As the country's leading oil refining and marketing company, we have the unique capability to locally formulate world-class products. We want to be the first to offer revolutionary products and services to benefit our customers. Aside from enhancing our current product lines, we will continue to feel the pulse of the market and roll-out products that are relevant to the everyday motorist. This commitment is further strengthened by the loyalty shown by our customers to the Petron brand.

We are always looking for ways to enhance value generation from our extensive logistical network. From the pipelines to the gas pumps, we have efficiency, reliability and sustainability top of mind. This is a never-ending process to ensure that our customers are closer and have easy access to Petron's quality products and first-rate services. This mindset drives our investments throughout our supply chain.

In the past few months alone, we have made major investments to integrate our refining operations further. We have acquired a polypropylene plant that will enable the conversion of our petrochemical production into higher-value, higher-margin products. We have likewise started the construction of a 2x200 TPH steam and 70MW power plant at the Bataan refinery that will significantly lessen our costs while ensuring a more reliable power supply.

At the heart of our unprecedented service station expansion program is the revolutionary Petron Bulilit Station. The Petron Bulilit Station is an easy-to-build gasoline station that can start with just a few pumps but can be easily expanded as demand increases in growth centers especially in far-flung areas. Our goal is to rapidly increase the number of these stations especially in underserved areas and put our products within

reach of average Filipinos. Just as important, these "micro" stations provide business opportunities for entrepreneurs who are looking for viable investments with a company they can trust. It also provides employment opportunities in rural areas, thus spurring countryside development. We have generated a lot of interest from people from all walks of life who want to partner with Petron—a company that stands for leadership, commitment and partnering relationships!

In tandem with our network expansion, we will continue to grow our non-fuels businesses by partnering with quick-serve restaurants and other locators at Petron service stations. We will also pursue the expansion of our Treats convenience store to cater to the growing needs of our customers.

Ultimately, we envision Petron service stations to be the preferred oases for the weary traveler—a one-stop, full service experience!

We always strive to delight our customers and ensure their convenience. This is the driving force behind innovative products such as Petron Blaze 100 and Petron Turbo Diesel, Pinoy Gasoline and the Petron Fleet Card—the first microchip-powered fleet card in the country. With a dynamic and customer-oriented company like Petron, you can always expect the unexpected so we can be one step ahead of competition. As they say—*Abangan ang susunod na kabanata!*

#### Hazel Sagisag, San Miguel Brewery Inc.

There's no question about it, San Miguel will be the biggest, most diversified conglomerate in the country. At first, most of us were doubtful about the numerous acquisitions and sudden entry into new businesses. At the back of our minds, the same nagging questions about whether management was being far too aggressive about our growth prospects.

But today, we see that San Miguel is successful in becoming one of the big players in the power, mining and infrastructure industries. In the coming years, the company will focus on learning how to play the game in these new fields—understanding the market, innovating existing technologies and generating more

profit while increasing shareholder value. This we will do until we become the leader of the pack.

San Miguel Brewery Inc. (SMB), since its spin-off in 2007, has become more independent and now has more leverage in terms of decision making. Of course, the entry of our partner, Kirin Holdings, has also allowed added exposure to new technology and more stringent processes.

We will work hard to maintain our market share and continue to find more ways to satisfy our consumers. We will do our best to come up with new products that will cater to the ever-changing tastes and preferences of our clients. The existing brands will remain a household name. You may think that this is something you will hear from a marketing guy, but really, each of the departments in SMB has the same goal. After all, if not for our consumers, none of us would be needed. As far as our department, Financial Planning and Analysis is concerned, we will see to it that this goal is achieved at a reasonable cost. We will ensure that our money goes to where it will bring in the most profit, without sacrificing our brand image and market share.

Reginald Baylosis, San Miguel Pure Foods Co. Inc.

I expect San Miguel to shoot up, not just in the rankings of the food sector, but also in the food and the non-food sectors combined. I expect it to be a top corporation in different areas like power and energy. For several decades now, it has been No. 1 and I think that it will continue to be a powerhouse.

I think Magnolia Inc. will continue to contribute significantly to San Miguel because San Miguel Pure Foods has always been a dynamic company. It will contribute not just in the financial aspect but also in producing innovative products, particularly those that are healthy and nutritious. We are talking about not just manufacturing dairy and bread spreads, but also having more nutritious health and wellness products.

If you are talking about innovation, Magnolia will have more flavors, more products beyond our existing lines, and those that are more attuned to the needs of our consumers. We are also looking to explore the seasonings and flavorings categories.

I am truly excited to see the changes that are happening. We are planting the seeds for a truly innovative culture.

Oliver Gorrospe, San Miguel Yamamura Packaging Corp.

Because of the new structure and its foray into other businesses, I see San Miguel progressing very well in the coming year—it is conquering new frontiers, and I hope to see it become the first Filipino company to breach the \$1 trillion mark in revenue. I have full confidence that San Miguel management will take the company into new heights.

As far as San Miguel Yamamura Packaging Corp. is concerned; our goal is to hit \$1 billion in revenues by 2014. Right now we're already hitting half of that, so we hope to continue growing significantly in the next five years. Part of this growth, I think, will come from seizing opportunities in the overseas market.

For instance, our acquisition in December 2009 of Cospak Pty Ltd allowed us to gain a foothold in the Australian market. The success of this partnership has us looking for more viable mergers and acquisitions with companies that will help us expand our markets and portfolio. At the moment, we have 16 local facilities, as well as plants in China, Indonesia, Vietnam and Malaysia. In partnership with Nihon Yamamura Glass, we are hoping to recalibrate our Indonesian operations to allow for the manufacture of plastic caps.

This is part of our objective of becoming not only the preferred, but also a total solutions provider to our valued clients. From design to execution, we aim to have all bases covered.

SMYPC is also a company that is deeply committed to giving back to the communities within which we operate. In particular, we are very much focused on promoting education and protecting the environment.

As an organization, SMYPC considers its people as its primary assets. Employee engagement programs are thus a priority, and the company always makes



SMC's core businesses have performed well in the past year and are gearing up for a round of expansion.

it a point to provide revenues for recognizing the contributions of employees to the bottom line and improving the organization as a whole.

Karen Ramos, San Miguel Properties

I'm excited to see the new direction of San Miguel Properties because we are concentrating on addressing the growing housing needs of our employees; as we continue to develop properties in prime locations within Metro Manila. We are, for instance, developing walk-up townhouses which we will sell at affordable price points through a tie-up with Bank of Commerce.

I think what differentiates us from other developers—apart from having San Miguel as our parent—is that we want to do more than sell properties. We want to build quality communities, in part through fostering faith and good old Filipino values in these communities. We emphasize quality community development. We aim to provide homes that people can pass on from one generation to another, and through this we hope to help our clients build a legacy.

Towards this end, we have partnered with religious civic groups to conduct value-formation seminars in our communities in Maravilla and Bea Aldea.

One of our major initiatives involves developing the remaining 92 hectares in our property in Alfonso, Cavite, as well as continuing to provide support to Fr. Suarez's Monte Maria project.

Other notable projects include Asian Leaf—an eco-aware community in Cavite with units starting at P2.3 million; a condominium in the prime area of Mandaluyong with price points at P1.2 to P1.5 million.

Our slogan being "People, People, People," it is important for us to focus on our own family first before we could serve others. Thus, we at San Miguel Properties are committed to serving our colleagues at San Miguel foremost by providing them with homes that they can be proud of, as part of our goal to offer a lineup of exclusive promos for our employees. We understand that we all work hard to provide better and more comfortable lives for our loved ones, and that a big part of that dream is providing our family with a decent home. I personally look forward to being part of helping our colleagues and quite simply, in making their dreams a reality.

Michelle Nepomuceno, Ginebra San Miguel Inc.

I am confident that SMC will continue to drive progress and growth especially if it will focus on the key elements/factors that have fueled its past performance. Although the company has already accomplished a lot, it is a no-brainer that SMC will gear up for other immense opportunities and potentials that lie ahead.

The company perceptibly recognizes the fact that each element in the business is essential to the success of the entire corporation. It houses not just brands with long-standing traditions but also keeps and motivates a bunch of dedicated, hard-working employees. These assets will definitely propel SMC's progress in the years to come.

Moreover, given the nature of commoditization and competition across industries, SMC will not stop churning out innovative products that will cater to the global market's evolving needs.

For 2011, GSMI still aims to protect and grow its market share in the domestic liquor industry. We will continue to dominate North Philippines and grab market shares in Visayas/Mindanao. We will also protect our leadership in the brandy segment.

In order to minimize the impact of increasing costs of strategic materials, we are also geared up to implement more cost-improvement measures (i.e. use of cassava as alternative feedstock for alcohol, and operational improvements to minimize wastages and inefficiencies).

I know that there is still so much more to look forward to in this big and continuously evolving company. I am expecting for more internal training efforts especially for budding professionals like me. I would also like to witness SMC reinforce its commitment to developing and executing a comprehensive and coordinated CSR strategy not just locally but in other parts of the world as well.— Compiled by Christine P. Borja 

# Enduring brands

Time-tested strategies from some of our much-loved products

For decades, San Miguel has always been the home of leading brands. But what is the secret to market leadership? How does one truly build "brand equity"? We sought out stewards of some of our company's best-loved products to learn more about their time-tested strategies for staying ahead of the game.

## Banking on partnerships

For Star Margarine, being the definitive brand for margarine means staying true to the product's supposed attributes and benefits. Known for its nutritional benefits which are reinforced by its current tagline, "Iba na ang Matangkad, Iba na ang Batang Star," Star Margarine banks on name recall associated with a premium benefit—in this case, kids growing taller, stronger and healthier—to stay ahead of its competitors.

Reginald Baylosis, vice president and general manager for Magnolia Inc., says, "our marketing activities aim to communicate the importance of nutrition on a child's overall growth and development, while at the same time highlighting a value proposition that has been associated with Star for a long time—which is providing kids with the proper nutrients that will make them grow taller."

While it is good to stay true to your traditional product characteristics, notes Baylosis, it is also equally important to innovate. He reveals that Star Margarine strengthens its brand equity through research. "We are one of the first brands in the Philippines that really focused on the nutrients that were needed by kids of school age. In fact, we invested in research that determined the particular nutrients that will help kids grow," he says. "We also departed from the "Iba na ang Matangkad" slogan because we felt that apart from wanting to help our kids grow taller, it's also important to help develop them mentally, hone their talents and help them reach their full potential."

One of the brand's yearly highlights is the Annual Search for Batang Star competition; now on its fourth year; which aims to discover a child who best epitomizes the Batang Star—someone ahead in physical, social and emotional development—and who will then serve as the brand's nutrition ambassador.

By using non-traditional advertising, Star Margarine hopes to bring attention to the importance of good health and adequate nutrition. Towards this end, Star Margarine also partnered with the Department of Health through an annual feeding program, held in July, which reached out to 50 schools and benefitted about 25,000 school children.

## Heritage x Quality

According to Hasmin Huang, Purefoods TJ Hotdogs brand manager, Purefoods adopted the "Kids Can Tell" tagline in 2004 after realizing that children distinctly recognized and preferred TJ Hotdogs over its competitors. "We made sure that mothers and kids could relate to what we are saying, and we banked on



**PUREFOODS** OVERALL, AND THUS **TJ HOTDOGS**, HAS CONSISTENTLY MAINTAINED THE HIGH QUALITY OF ITS PRODUCTS FOR DECADES.



"APART FROM WANTING TO HELP OUR KIDS GROW TALLER IT'S ALSO IMPORTANT TO HELP THEM DEVELOP...AND HELP THEM REACH THEIR FULL POTENTIAL" — Regi Baylosis



the fact that children had very strong preferences in their food."

Beyond the tagline, however, Huang believes that consistent and highly targeted marketing campaigns—which includes tie-ups with blockbuster movies such as Ironman and Spiderman; and for which they offer functional and collectible items as part of the purchase—has helped boost brand awareness over the years.

Huang finds that this strategy directly appeals to its target market which consists largely of children aged 5 to 12 years old. "We have items that are fun for the kids but are also useful such as back-to-school or beach

items. And so because they are not just plain toys, both the kids and parents appreciate them," she says.

But their most important growth driver has always been the fact that Purefoods overall, and thus TJ Hotdogs, has consistently maintained the high quality of its products for decades.

"It's the complete package," says Huang. "It's consistent and continued product excellence that is complemented by an effective marketing campaign that uses the four P's (i.e. product, place or distribution, price and promotion.) We have and always will be the freshest and best tasting hotdog in the market." ☑

# The brave and the bold

San Miguel Integrated Sales has taken the concept of "guerrilla marketing" to a whole new level



*Duyan ng magiting:* San Miguel has been boldly pursuing growth for both its core and new businesses for the betterment of the organization and the Philippines.

If all reports are to be believed; Basilan, for all its natural beauty and rich indigenous culture and history, has over the years, become one of the riskier areas to do business in the Philippines.

Amid ongoing tension owing to the presence of so-called militant groups in the general area; the San Miguel Integrated Sales (SMIS) team, boldly staged their first taste sampling in the Lamitan and Isabela public markets in November 2010.

"We knew the risks involved, but we were determined to tap underserved areas in Mindanao, particularly in Zamboanga—a market wherein we see a huge potential for our products," says Douglas Porter, SMIS Mindanao Area Sales Director.

Their first salvo was an awareness campaign for San Mig Coffee in the larger Basilan area initiated by Territory Manager Natalio Ebueng. With the launch of Star Hotdog—Purefoods' no pork hotdog range—the SMIS Zamboanga team saw an opportunity to make our food products within reach of customers in these predominantly Muslim areas.

They were able to conduct the sampling activity through working with Community Partners, which included Erwin Flores, a local businessman in Lamitan; and YC Sales, a dealer in Isabela; as well as Elven Nagoc, a third party agency coordinator—all familiar personalities in the community.

"There was, of course, a prevailing fear of breakout of violence and risk of abduction," says Joven Marzonia, SMIS Food 2 Category Specialist, when asked about

"OUR EFFORTS IN MINDANAO ARE JUST PART OF THE LARGER STRATEGY TO EXPAND THE FOOD GROUP'S REACH, TOWARDS THE VISION OF NOURISHING COMMUNITIES AND NURTURING EVEN MORE FAMILIES WITH OUR QUALITY PRODUCTS" - Archie Gupalor



what he thought the challenges to the program were. "But it inspired us to make sure that we execute the event with extra care and focus."

To ensure the safety of everyone involved, the team touched base with the local government and the Philippine Marines to identify safer venues, and worked closely with other local San Miguel staff, particularly those residing within Lamitan and Isabela.

"Overall, the campaign was successful," says Marlo Atilano, SMIS Food 1 Category Specialist, noting an increase in awareness for the both San Mig Coffee and Star Hotdog in those areas.

Atilano adds: "We plan to continue to hold sampling activities throughout Basilan, and go further by initiating a dealer's incentive program for Star Hotdog."

"Our efforts in Mindanao are just part of the larger strategy to expand the Food Group's reach, towards the vision of nourishing communities and nurturing even more families with our quality products," says SMIS General Manager Archie Gupalor. "As the sales arm of San Miguel Pure Foods, we see our role as that of an aggressive innovator, even if that means going boldly where few have ever gone before." ☈

## Did you know?

Isabela, the capital and seat of Provincial Government of the island province of Basilan, was named after Spain's Queen Isabel II?

Located just off the southern coast of Zamboanga Peninsula, Basilan in ancient times was called Taguima, while Isabela was referred to by its ethnic groups (the Yakans, Samal Banguinguis, Badjaos, and Tausugs) as Pasangan—a name that still holds among the natives.

However, Pasangan was occupied by the Spaniards in 1844; and the following year was named Isabela in honor of Queen Isabel II of Spain by Don Ramon Lubo, the Marine Chief of Zamboanga and Don Cayetano Suarez de Figueroa, the Governor of the District.\*

On the other hand, Lamitan was said to have been founded in 1886 by the legendary figure Pedro Javier Cuevas, popularly known as Datu Kalun, who was born in the town of Bacoor, Cavite on June 9, 1846.\*\*

### Sources:

\* Department of Tourism website: [www.visitmyphilippines.com](http://www.visitmyphilippines.com)

\*\* "Lamitan in Basilan now a city" published on June 20, 2007 by the Sun Star website: [www.sunstar.com.ph](http://www.sunstar.com.ph)





"OUR CONSUMERS APPRECIATE THAT WE UNDERSTAND THEM QUITE WELL TO KNOW THAT THEY ARE ALWAYS ON THE LOOKOUT FOR WHAT IS ELEGANT, TASTEFUL AND WORLD-CLASS WHETHER IT'S IN THEIR LIFESTYLE, FOOD OR BEER" —Erik Riola



## The culture of influence

San Miguel Lifestyle Brews understands that a certain level of panache is required to corner the premium market

There's something to be said about a self-proclaimed 'amateur' critic who can put together an SRO crowd of over 1,000 foodies and 50 suppliers for a sold-out event with nary a promotional ad on TV or newspapers. But such is the power wielded by Anton Diaz aka founder of Our Awesome Planet ([www.ourawesomeplanet.com](http://www.ourawesomeplanet.com)), one of the most influential food and travel bloggers in the country today.

Influential may be a relative term, but there is no denying that in recent years blogs have become must-reads to rival even the most established, published columns; with more and more people turning to places like Wordpress and Tumblr for reviews and recommendations on the hippest fashion haunts or hole-in-the-wall dining spots.

Diaz is also widely known as the organizer of the popular Ultimate Taste Test (UTT) series, the above-mentioned tasting event that started out as an avenue for new and upcoming food suppliers to have 100 or so foodies test their offerings. Now on its fourth incarnation, UTT has helped launch food trends and the careers of many amateur and professional chefs and restaurateurs.

Recognizing the amount of influence that social media exerts on consumers' buying preferences is crucial to brand survival in today's hyperconnected society. One of the company's most notable social media players, San Miguel Lifestyle Brews—the beer portfolio that consists of San Miguel Premium All Malt Beer, Cerveza Negra and San Miguel Super Dry—has been supporting the Ultimate Taste Test series in a big way over the past year.

"The emergence of social media has given us the opportunity to communicate directly with our consumers. We see it as a low-cost tool that has become a key driver of our brand's growth through increased awareness among our target market," says Elaine Minoza, brand manager of San Miguel Lifestyle Brews.

**"BEER, LIKE WINE, BECAME AN ACCEPTABLE COMPLEMENT TO GOURMET DISHES; A CRUCIAL ELEMENT TO A MEMORABLE FINE DINING EXPERIENCE" —Elaine Minoza**

Here's the lowdown on the best savory (and sweet) dishes that work well with your favorite San Miguel Lifestyle Brew:

Made from 100% malt, San Miguel Premium-All Malt Beer has a slightly sweetish taste. SMB's newest beer is also the perfect companion of light seafood dishes.



Meat dishes are best paired with San Miguel Super Dry, which is made from aroma hops (that gives the beer its distinct aroma and taste) and malt. This brew, which has slight citrusy notes, has a moderate body and a bitterness that is smooth and balanced.



The caramel flavour and bittersweet taste of Cerveza Negra, which is made from roasted malt, blends well with desserts particularly those infused with chocolates, fruits, and cream.



# The quest for professional excellence

Graduates and staff talk about life at the SMPFC University



As the faint strains of Edward Elgar's classical graduation march drifted through the Clermont Room of Discovery Suites in Pasig, San Miguel Integrated Sales (SMIS) Training and Development Manager Joey de Jesus couldn't help but beam with great pride at his major accomplishment. After weeks of rigorous classes, he had finally graduated with a Management Development 'degree' from the San Miguel Pure Foods Co. Inc. (SMPFC) University's School of Management.

"The experience was in equal parts demanding, strenuous, and frustrating, but nothing beats the natural high that you get from completing a daunting task," says De Jesus. This is one triumph he will always carry with him throughout his professional life.

The first run of the Management Development Program Course (MDP), which lasted four months, was participated in by the (SMPFC) OpCom members, middle managers, and high-potential employees. Harvard-John Clements, a partnership between Harvard Business Publishing and John Clements Consultants, Inc. and a learning provider that specializes in honing and developing leadership and management skills, was chosen to help design and facilitate the course.

A student of the Abridged Management Program; Magnolia Inc. General Manager Regi Baylosis shares that he has "never been more serious before about

studying" and felt that it was because the program was "purposive, deliberate, and engaging." A ringing endorsement indeed from someone who has known only excellence in his academic life. Baylosis graduated Summa Cum Laude from the St. Louis University in Baguio City where he completed a B.S Marketing course.

Moreover, Baylosis believes that the program serves as a good venue for members of the Food Group's OpCom to move beyond thinking about their own areas of responsibility, and see the organization as a whole. "We learned so much, not only from the sessions themselves, but also from each other, which in turn has driven us to seek more synergies amongst our businesses."

The SMPFC University was launched in August 2010 to serve as an internal institution for higher learning. It offers courses in management, technical operations, and personal effectiveness.

"The idea of creating a higher learning program for our employees, where they can really sharpen their skills, broaden their knowledge, and eventually become the best in their fields, is part of the company's larger goal of major transformation," says SMPFC President and concurrent University regent Francisco S. Alejo III. "The objective is really to arm the employees with the right tools in their pursuit of professional excellence."

Students enrolled in the first batch of the MDP course attended weekly classes and were given challenging case studies. They were also given access to materials from the Harvard Business School in order to allow them to actively participate in class discussions. Apart from the MDP, employees were also given the opportunity to enroll in strategic planning, leadership, sales, image management, business communication, values building, quality management, and various other relevant courses.

Alejo asserts that the University's bigger goal of championing empowerment and transformation, strategic thinking and execution, innovation and customer centricity, and instilling a global mindset is within reach; for as long as its students take heart their mandate to learn and deliver.

"We don't just want leaders and excellent employees—we want visionaries," says Division HR Head and concurrent University president Eli Capacio, noting that the University encourages its students to work hand-in-hand with their colleagues and facilitators to get "the most out of the experience."

He adds: "Yes, it is hard work, but it is the kind of hard work that pays double from what you have invested. We believe the University has the power to transform our people into highly competent and effective drivers of San Miguel Pure Foods' overall growth." ☈

## SMPFC University staff



■ Francisco S. Alejo III  
University Regent



■ Eliezer O. Capacio  
University President



■ Alvin T. Ramos  
University Administrator



Rita Imelda B. Palabyab ■  
Dean of Agro Industrial school



■ Dr. Norman C. Ramos  
Assistant Dean for  
Feed Milling School



■ Dr. Leo A. Obviar  
Assistant Dean for Poultry  
and Meats Operations



■ Florentino C. Policarpio  
Dean of Flour Milling



■ Raul B. Nazareno  
Dean of Meat Processing



■ Reginald I. Baylosis  
Dean of Dairy,  
Fats & Oils manufacturing



■ Helene Z. Pontejos  
Dean of Culinology



■ Ma. Soledad E. Olives  
Dean of Management

## From managers to educators

"Over the next few months, you will discover what you're already good at, where else you need to improve, how else you can contribute meaningfully, and how you can really become the best in your field. Show your professors that the San Miguel Pure Foods student is the best and the brightest in his or her field. Do your homework. Make new friends. Recite in class. And don't fail your exams. Or else, you will be called to the principal's office. Just do your best and allow your full potential to unfold."

With a good dose of characteristic humor, SMPFC President and University Regent Butch Alejo welcomed the first batch of students. While the requirement to perform well was largely expected from the students, the people behind the scenes—the deans of the various schools and their team—were also counted upon to deliver the best learning experience as possible.

As with any university set-up, the Food Group's new institution was segmented into different schools with deans who acted as heads of each. They were responsible not only for planning the curriculum, but the strategic development and management of the learning and development activities of their respective schools as well.



The task of preparing a curriculum that would suit the highly specialized needs of their students proved challenging, according to HR Manager and Organization Development advocate Alvin Ramos; who also serves as the University Administrator. As administrator, Ramos is also tasked with ensuring that the learning objectives are aligned with the Company's vision, and delivered effectively by the providers.

"It was not easy given the highly diversified nature of our business," says Ramos. "Putting the courses together is still ongoing, but with the impressive results that the first batch delivered, I am optimistic that we have created an institution that all our employees can benefit from."

As such, four more MDP Full Course classes will be offered this year. He adds: "For me there is a great feeling of accomplishment that comes from knowing that we have somehow helped them grow and become better professionals and individuals."

A total of **69 employee**-students have graduated from the MDP—19 from the abridged course and 50 from the full course

Two new batches of **25 students** are slated to begin this February, and another set of 2 batches by June 2011

Among the new courses to be opened this year are **Marketing, Brand Equity, Sales and Personal Effectiveness**



# Tweet, and I will follow

The marketing potential of social networking sites is undeniable. A few ways to 'cash in' on the phenomenon.

By the time this issue goes to press, the world's most popular social networking site, Facebook would have well passed the half-a-billion-user mark—a staggering number even in today's hyperconnected world.

Facebook, like other social networks like Multiply and Twitter, have made posting photos and videos, and creating personal webpages among others; for lack of a better word, easy. Where previously you would have needed to sharpen your "techie" chops or brush up on your knowledge of high-brow HTML programming language; these sites allow you to not just post photos, videos and notes; but "friend" people, poke and superpoke your friends; throw virtual coffee lattes or flip-flops at them as a form of greeting; or even send mass invites for your contacts to join your mob, coven or farm in one of the site's myriad game apps (tech speak for "applications"). Who knew that there was an entire realm of previously undiscovered human activities on cyberspace?

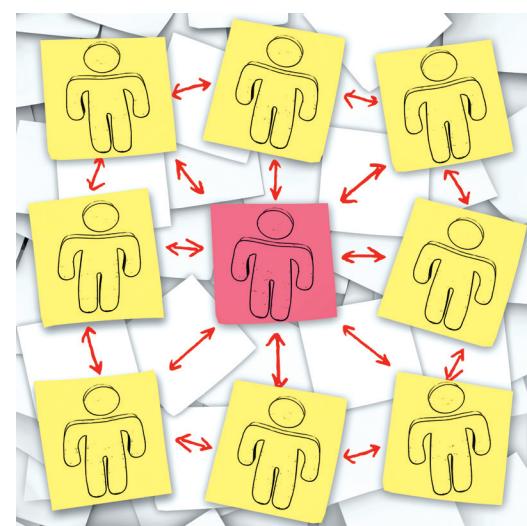
The reason for Facebook's spectacular rise can most likely be attributed to the nifty little invention called the Status Update, and consequently, the live News Feed. In 420 characters or less, users are able to constantly update people in their network about events in their life: everything from the mundane ("munching on a blueberry Kruffin on my way to work") to those that require infinitely more gravitas (seeking help for known family members in distress at the height of a storm). Friends may then hit the "Like" button to indicate their approval of said "status" or post their own comments in order to get a conversation going.

Over the years, people have found ingenious ways to wield the power of Facebook and similar platforms to promote brands, shops and to large extent, even themselves. For one thing, because social networking sites have made it easy for people to share things about themselves, it makes it all the more convenient for consumer-driven organizations like San Miguel to gather information about our target market. And the best thing about this is the fact that this information is candid, up-to-date, relatively unfiltered/uncensored and most of all, virtually free.

A quick peek at the day's summary of news feeds on Facebook will tell you what's on everyone's minds, and give you an insider's look at honest-to-goodness trends and what people are really talking about: whether it's a hole-in-the-wall eatery, under-the-radar indie flick or the latest YouTube sensation.

## Online branding and crowdsourcing

Facebook and other social networking sites make for a low-cost, informal marketing tool—a fact that many San Miguel brands have put to good use. For instance, San Miguel Brewery Inc.'s SMB Takes You to



"PEOPLE ARE SPENDING MORE TIME ON THE COMPUTER AND LESS TIME WATCHING TV. PRESENCE ALONE WILL NOT BE ENOUGH SO THE MATERIAL—AND VEHICLE—HAS TO BE ENGAGING"—Chito Maningat

the Philippines has taken to announcing winners of their promos and details of their events on Facebook.

Aside from wall ads on Facebook, Ginebra San Miguel Inc. (GSM) as early as 2009 has used Multiply as the platform for its Antonov Vodka Star Search, while Infiniti' Ready To Drink Cocktail's viral "Ballerina"—a brilliant short film/TVC about an inebriated wind-up ballerina for the brand's Mild and Wild campaign—was uploaded on YouTube and was awarded a silver medal at the 2009 Ad Congress.

"The growth of social networking sites is hard to ignore," says GSM's New Spirits Brand Manager Chito Maningat. "Even people from the older generation who were never exposed to computers during their school years are getting hooked. It's become a means of communication, sometimes even cheaper than text, and a fora for exchanging views. Others even use it to sell things, making other websites and media obsolete."

Apart from creating brand-specific pages, companies can also benefit from the penchant that the majority of Facebook users seem to have imprinted into their DNA: Providing and taking to heart unsolicited advice. Try posting, say, that you are "in the market for a DSLR camera" and you'll be bombarded by suggestions. Your contacts might even debate among themselves, heatedly listing down the pros and cons, and providing anecdotes of their own

experiences. This will yield a lot more information for you to work with than you would normally have if you had relied on business directories, and may net more substantial, and more importantly, genuine, unfiltered feedback than that of formal surveys. This interesting phenomenon is often referred to as crowdsourcing—which is basically an informal method of problem solving and gathering feedback with the use of a large and unspecified group of individuals.

Similarly, a post that indicates that restaurant so-and-so "serves the most succulent kobe burgers this side of the Eastern hemisphere" will most probably elicit a good number of permutations of, "oh really, I think I'll try that this weekend". A well-crafted status update or link posted on your wall can go viral in a matter of minutes. To promote a new TVC, for instance, try posting the video on Facebook with a witty annotation via your status update to encourage friends to re-post, comment on, or hit the "Like" button for it. Viewership is likely to grow exponentially as the said material becomes a point of interest on the walls of everyone's ever-expanding circle of contacts.

Thus, technology can be used to influence people in a lot of creative, albeit, subtle ways. Consumers today are infinitely savvier and more likely to be turned-off by hard-sells. Instead of buying what's been heavily promoted in traditional media, there is a growing number of consumers who look to opinion leaders—people whose choices, ideas, insights and behavior are emulated by others and who these days are most likely bloggers or celebrities/personalities with hyperactive Twitter accounts; but who can also be friends or contacts whom they hold in high regard—to influence their spending habits.

"People are spending more time on the computer and less time watching TV," says Maningat. "Recent studies have shown this and it's important for brands to be visible to their target market. Presence alone will not be enough so the material—and vehicle—has to be engaging."

## Microblogging

Less than five years old, Twitter ([www.twitter.com](http://www.twitter.com)) is a microblogging service that has just recently gained an incredible amount of attention on the news. It is a remarkable mix of instant messaging crossed with blogging, and with the word count restraint of telegrams. A 140 character "tweet" is not a lot to go by, but it's the brevity of Twitter that makes it so compelling.

The joy of microblogging comes from the fact that it allows you to publish tiny updates about yourself, which people can subscribe to (called "following"). Once subscribed, people get your tweets the moment

## Kaunlaran

Issue 1 • Vol. 44 • January–February 2011

EDITOR Sonee S. Brizuela

DESIGN Inksurge / Elsie C. Dormiendo

PHOTOGRAPHER Alexies L. Santiago

EDITORIAL BOARD Ramon A. Santiago / Kin G. Lichaoco

KAUNLARAN is published bi-monthly for employees and friends of San Miguel Corporation by the Corporate Affairs Office. KAUNLARAN is Filipino for progress.

40 San Miguel Avenue Mandaluyong City, Metro Manila, Philippines 1550

TEL. NO. (632) 632.2343 E-MAIL: [ssuria@smg.sanmiguel.com.ph](mailto:ssuria@smg.sanmiguel.com.ph)

SMC WEBSITE: [www.sanmiguel.com.ph](http://www.sanmiguel.com.ph)



For more of the latest on San Miguel, visit our Private Network at <http://exchange.com>



The popular real-time information network has over 175 million registered users who write 95M tweets a day.

you put it up. You can even add links to sites that you find interesting, sharing them with your wider audience.

Those who are less outgoing will be happy to note that Twitter is also great for following people that interest you. Whether it's from news sources, to politicians, to actors; Twitter allows you to keep updated on what they're doing, and what they like.

Twitter might seem frivolous at first given the limitation on the number of characters, but it's the immediate and concise nature of the tweet that makes it so powerful. Twitter proved that it could be more than just mindless blather with its remarkable performance during Typhoon Ondoy (try searching twitter for #ondoy)—and its spin-off account @afterOndoy, which was created in the wake of Ondoy and Pepeng to bring in private sector support for recovery projects of the Philippine Disaster Recovery Foundation—and Manny Pacquiao's fights (#paquiao), all of which became trending topics (the site's most-talked about subjects) in a span of hours.

Twitter is an excellent way to broadcast product updates and promotions, as well as relevant news and events in real time. You do away with the back-end know-how required to refresh a website; and just serve up the information raw and as it happens. Immediately, your followers can post their comments, which you can then respond to right away. Meralco, the country's largest power distributor, uses to this great effect: Its Twitter account (<http://twitter.com/MERALCO>) has nearly 20,000 followers and is used as a vehicle for announcing rotating brownout and maintenance schedules. Clients, on the other hand, use the account to report defective power lines and various other concerns.

Celebrity endorsers or a chosen opinion leader, on the other hand, can also use their Twitter accounts to "inadvertently" mention our brands or flat-out say good things about our products and activations. For instance, a sample tweet by Dingdong Dantes saying that he is on his way to "the San Mig Light Bucket Nights gimmick @ The Fort" may help boost attendance to the event simply because his Twitter followers would appreciate knowing his whereabouts and are most likely to physically follow where he goes. Or we can try sending popular bloggers (Chuvaness at [www.chuvaness.com](http://www.chuvaness.com), for instance, has over two million visitors on her blog monthly) our products to try and hope that she tweets "Magnolia's No Sugar Added Café Latte Ice Cream is sinfully delicious, and yet easy on the hips...Eyelovett" soon after.

There are no limits to how these tools can be used to promote our products and add value to the services we provide our consumers—and the good news is that there is no end to the social networking craze in sight. The number of users and apps will keep on growing; and the technology will just keep on getting better and better. The earlier we learn to use these sites to our advantage, the better it would be for our company and brands in the long run. 

## San Miguel goes social!

Enter CC, a social networking site that has one great thing going for it: it's created by San Miguel for San Miguel. Recognizing the need for a tool that banks on the dynamism of 'social communication' —a term commonly used to describe the act of sharing and receiving information in an unstructured, spontaneous and open manner—the SMC Corporate Affairs Office (CAO) has plunged into what can aptly be described as a 'social experiment' to see how people within the organization will respond to having the means to connect, and yes collaborate with each other in a more personal, though not necessarily less professional way.

Says Kin Lichauco, CAO Assistant Vice President and Communications manager, "The objective of cc: (which stands for Connect:Collaborate) is to give San Miguel employees the tools to make their work processes more efficient and help them communicate with each other instantly, and in a way that's more intuitive and 'organic' to who they are."

Because it works very much like Facebook, cc: requires virtually no training for you to get started. Simply sign up with an SMG or Petron e-mail address to be part of its steadily expanding community. Once in, you can then send a message to all the contacts or connections in your list (which you build simply by searching for their name within the database) through the News Feed, or send private messages to a select group or person. Thus, instead of having to clog up your colleagues' e-mail inbox folders with back-and-forth short messages, all you have to do is type it on your Wall and everyone is instantly in the loop. Also, instead of e-mailing your workgroup photos from a recent event, you can just post them all online and give everyone the opportunity to grab or simply comment on them. You can also create a blog which your other colleagues can follow, and create event calendars that will alert your invitees, with details on the day.

"I personally find cc: useful because for instance, I'm able to share photos from our CHR events the day after," says CHR-Employee Relations Management officer Maricar Veloso. "Plus it's so easy to use, and I can access

it anywhere for as long as there's internet access, even using mobile devices."

CC: also makes for a perfect complement to our existing intranet website <http://exchange.com>—the virtual one-stop shop of all things San Miguel where you can watch the latest TVCs and event coverage; access news and features, media clippings, e-Newsletters, and SMC share prices; as well as download a host of information such as logos, product photos, and business and financial reports. Found something you liked on eXchange? Then go over to cc: to either blog or begin a discussion thread about it.

"I think one of the reasons that people are so shy about sharing their thoughts within the corporate setting is because they're always conscious about making everything sound 'perfect,' meaning that every sentence has to be grammatically correct and in perfect English," says Yvette Katigbak, CAO-Business Communications officer. "But in cc: you are encouraged to be as candid as you can be, using any language that you are comfortable with—but of course, always taking into consideration that you are communicating within the San Miguel community."

Over the next few months, CAO is hoping to be able to roll out even more features on cc:, such as a Wikipedia-inspired online information repository, as well as a database of stock photos and videos taken over the years by photographers and videographers commissioned by the group.

"While SMC's 125th year is still quite a long way off, I think it's important that we begin the process of documenting and organizing the information that's in our hands now for future use," says Lichauco. "We see our online tools as the most efficient and economical platform for housing this huge amount of information."

"As for cc: alone, we are hoping to get lots of people on it, just to try it out, and hopefully for them to later on begin using it as regularly as they do Facebook," adds Lichauco.

[Want to get started on cc?: Log on to http://www.smc-cc.com to become part of its growing community today.](http://www.smc-cc.com)



WHILE SMC'S 125TH YEAR IS STILL QUITE A LONG WAY OFF, I THINK IT'S IMPORTANT THAT WE BEGIN THE PROCESS OF DOCUMENTING AND ORGANIZING THE INFORMATION THAT'S IN OUR HANDS NOW FOR FUTURE USE"—Kin Lichauco





## In the raw

The most *astig* rockers and artists of the generation endorse the No. 1 Extra Strong beer—**Red Horse Beer**

Two words aptly describe the sound of Slapshock: ragged and raw. Consisting of vocalist Jamir Garcia, guitarists Jerry Basco and Lean Ansing, bassist Lee Nadela and drummer Chi Evora; Slapshock has, over the course of 13 years, become one of the most revered rap-metal bands acts to date—churning out aggressive cult-favorites such as Agent Orange and Wake Up among dozens of others. They have represented the Philippines in numerous international rock festivals—performing alongside legends such as Korn and Velvet Revolver.

Loyal headliners of Red Horse Beer for the past seven years; the critically acclaimed, always explosive Slapshock represents the very essence of *astig*.

In Red Horse Beer's latest TVC titled "Tama," they join eight-time world boxing champ Manny Pacquiao, Pinoy rock legend Joey "Pepe" Smith, top tattoo artist Ricky Sta. Ana, extreme gamer Armand Mariano, and the beautiful Isabel Daza in what is arguably their most high-profile endorsement to date.

Their latest project pits Manny Pacquiao's legendary strength against that of Red Horse Beer's kick or tama. "*Ibang klase ang lakas nito.... nakayayanig, kayang kaya ako,*" Pacquiao is heard as saying as he is jolted into a bar where the waiting trio of Smith, Sta. Ana and Mariano approach him to a chorus of "*Tama ka Manny!*" Slapshock, meanwhile, plays RHB's latest jingle on stage.



"Being alongside the pound-for-pound king in this TVC is really an honor for us. We are all huge fans of Manny—I think everybody is," says Garcia. "Pepe Smith, on the other hand—we grew up listening to him, so for us it's having our icons in sports and music together on one set. Having them in one room together with us is really something, and it's overwhelming—it keeps us inspired and made us feel energized. It's a great feeling, and we're looking forward to this great journey with them."

On the set of the filming of the new TVC, there is an easy rapport among the talents, proof of how alike everyone seems to be despite their outward differences.

"Red Horse is great because it appeals to various subcultures: people who are into extreme games, or like the raw toughness of tattoos. The brand really encompasses what the Filipino people and Filipino lifestyle is all about: rough and tough, resilient, and ready to face all challenges head on," says Garcia.

"The TVC really shows that you can be a rocker, artist, or a normal biker like me, and still exist within this lifestyle," says Mariano, the Davao-born, champion BMX rider.

Adds Garcia: "It's a beautiful thing how everyone can coexist and have the same positive energy at the same time."

The country's No.1 extra strong beer has, over the years, embraced the lifestyles that come naturally with one's passion for a good, strong brew. And so apart from serving as the patron of rock 'n' roll, Red Horse Beer has, of late, been heavily supporting tattoo art, extreme sports and filmmaking. But the presence of one Isabel Daza—model, society fixture and progeny of the equally stunning Gloria Diaz, may come as a surprise to the uninitiated.

**"RED HORSE IS GREAT BECAUSE IT APPEALS TO VARIOUS SUBCULTURES THE BRAND REALLY ENCOMPASSES WHAT THE FILIPINO PEOPLE AND FILIPINO LIFESTYLE IS ALL ABOUT: ROUGH AND TOUGH, RESILIENT, AND READY TO FACE ALL CHALLENGES HEAD ON"**— Jamir Garcia

*"Sa unang tingin, madaling isipin na hindi siya typical na Red Horse drinker, pero sa palagay ko, she's proof of how inclusive the Red Horse lifestyle is,"* says skin inker Sta. Ana. *"Para sa 'kin, Red Horse is not about what you are—but who you are and how you welcome a cutting edge lifestyle. Dapat palaban."*

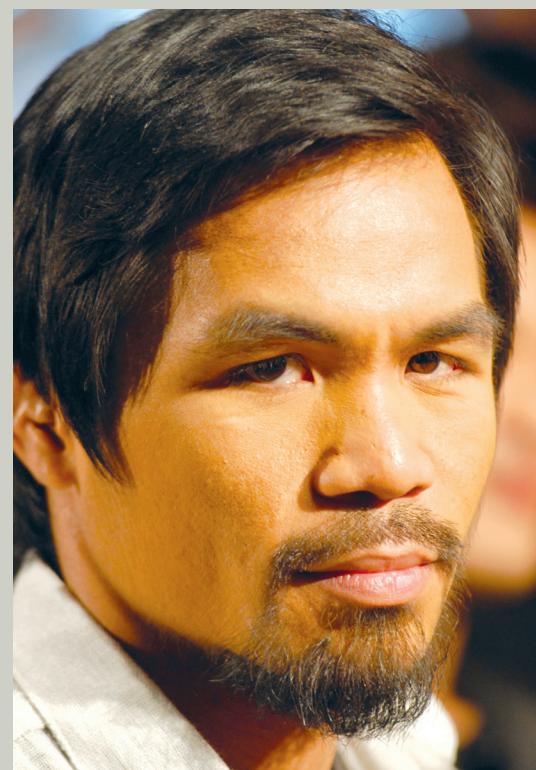
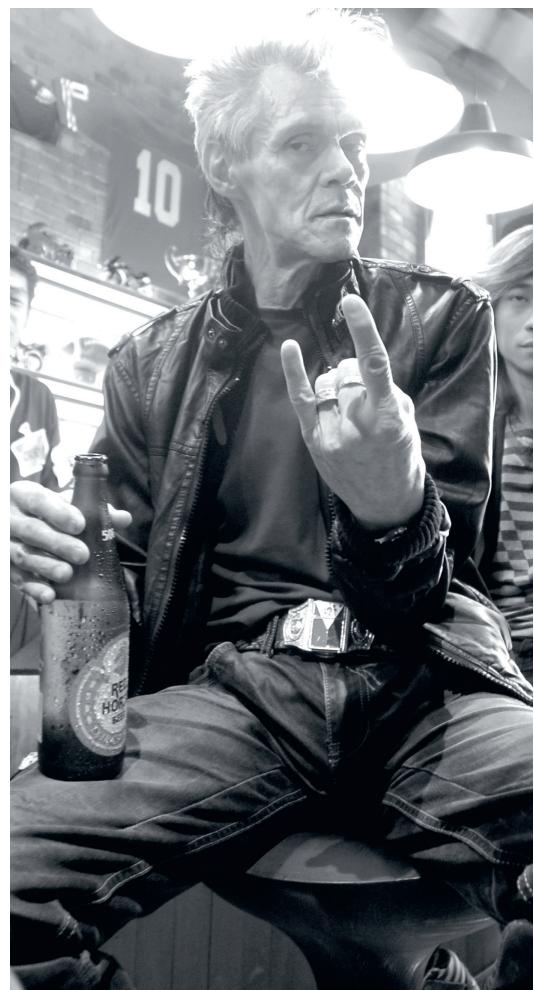
When asked about his thoughts on Pacquiao and Red Horse Beer; Smith, the venerable Father of Pinoy Rock only had this to say: "They're both tough and they hit hard. For either of them, one punch is all it takes."

Adds Garcia: "Red Horse is extra strong and I think that's how we perform. I think I speak for everyone in the band when I say that we're proud to endorse such an *astig* brand."

This year, watch Slapshock and Smith perform with some of most hard-rocking bands; alongside demonstrations by Sta. Ana and Mariano at the *Pambansang Muziklaban*. The country's biggest, loudest and meanest amateur rock band competition will pay tribute to the late, great Francis M—a man who had much respect for great skin art, skateboarding, rock and Pinoy pride.



For more information on the *Pambansang Muziklaban* happening this January, log on to [www.redhorsebeer.com](http://www.redhorsebeer.com). —By Sonee Suria-Brizuela



## The power puncher lands another extra strong role

Manny Pacquiao and RHB team up for a new hit

Two rounds. A crushing left hook. That was all that Manny Pacquiao needed to floor Ricky Hatton, Manchester's self-styled Hitman in a 2009 world title bout that took all of eight minutes. The Pacquiao-Hatton headliner landed Manny his sixth title in a span of only 9 years—all while steadily moving up weight classes with apparent ease. Then there was Clottey, Margarito. All three superb fighters in their own right, but each demolished as neatly as if they were mere target practice. Always there was integrity and compassion. And a sportsmanship that perhaps even without his spectacular KOs has earned "Pacman" the right to be hailed the nation's most favored son.

Only 6 short weeks after claiming his eighth world boxing title from his stunning defeat of Antonio Margarito; Manny the "Mexecutioner" Pacquiao lands another knockout role—as endorser of Red Horse Beer, no less than the country's No. 1 Extra Strong Beer.

*"Hindi madaling marating ang kinaroroongan ko ngayon,"* says Pacquiao, harking back to his early days as a local brawler in back-alley fights in Manila. *"Hindi madaling mabansagang #1 boxer."*

When asked about his decision to put his powerful endorsement behind Red Horse Beer, the enigmatic pound-for-pound king says simply: *"Sabi nila sa dami ng napatumba ko sa ringside, tiyak ganun kalakas ang suntok ko. Tulad din ng Red Horse, malakas ang dating, malakas ang sipa."*

Moreover, he adds: *"Katulad ko, maraming humahamon sa Red Horse, pero sa huli siya pa rin ang No. 1. Ibang klase ang tama dahil gawang San Miguel."*

There is more to Pacquiao than his title as the best fighter of this generation. Add to his recent turn as statesman, Pacquiao is a pious Catholic, family man and accomplished singer/actor—fans may recall his

wildly successful duet with comedic genius Will Ferrell on the Jimmy Kimmel show. The brute force with which he demolishes his opponents is a mere foil to who he really is: a pensive, compassionate, and hugely patriotic sportsman—one with the quiet confidence of a warrior, and one of the most astute fighters to ever take the ring.

"Manny is the epitome of *astig*," says Anne Ablaza, brand manager for Red Horse Beer. "He knows who he is, what he can do. He emanates that raw, tough masculinity that all Red Horse Beer drinkers aspire to."

Much like Red Horse Beer, Pacquiao is extra strong, and No. 1 in everything that he sets his mind to. "He is the best there is," sums up Ablaza.

The "Pacman" joins Pepe Smith, Slapshock, Armand Mariano and Ricky Sta. Ana to form an enviable troupe of the country's most *astig* hard-hitters in Red Horse Beer's latest TVC titled *"Tama"*. —By Sonee Suria-Brizuela



# Digging deeper for growth

San Miguel's foray into the mining industry is, in equal parts, a profitable business venture and a solution to the looming power crisis



Now that the worst of the global economic crisis has blown over, the Philippines' mining sector is facing boom times. Said to have the fifth largest mineral reserves in the world (gold, copper, nickel and silver), mining accounted for some 20% of the country's GDP in the 1970s. Despite estimates that some \$840 billion worth of mineral wealth lies largely untapped, that figure has since fallen to less than 2% in early 2010. Hoping to breathe new life in the industry, the Arroyo administration in 2003 launched the Revitalization of the Minerals Industry Program anchored on the principles of sustainable development and the promotion of responsible mining. The policy shift considered the potential of mining as a catalyst to economic growth and development, and helping poverty reduction particularly in the countryside.

In a nation where the estimated GDP is close to \$190 billion\* and foreign debt stands at an estimated P1.9 trillion\*\* as of October 2010, it's a staggering amount that can be put to good use, despite the fierce opposition of special interest groups and powerful church officials who are putting pressure on the new government to scrap a law that allows foreign investors to fully own local mining ventures.

The protests haven't been enough to deter investors or the fledgling Aquino administration, and the Philippine government has pressed on with the over 20 new exploration permits in the first few months of 2010 alone. Indeed, the presence of some of the world's top miners—among them Xstrata Plc., and Japan's Sumitomo Metal Mining—is clear evidence of the sector's attractiveness and high stakes. Other big players in the country include Phelps Dodge Corp. and Australia's Indophil Resources, a company in which San Miguel currently has a 10.1% stake.

With a brighter 2011 outlook and the expected rise in demand for metals on the world market, major mining development projects are again on stream,

"WE HAVE TO START PREPARING FOR THE POWER CRISIS NOW IF WE ARE TO AVERT IT" –RSA

**\$840 B**  
estimated worth of the country's  
untapped mineral reserves

SMC'S VENTURE INTO THE MINING SECTOR IS IN EQUAL PARTS ALTRUISTIC AND PRAGMATIC

with San Miguel making its presence felt via three coal mines in Mindanao.

At present, San Miguel owns a 100% stake in Daguma Agro-Minerals Inc., Bonanza Energy Resources Inc. and Sultan Energy Phils Corp., two companies with ownership of one of the country's biggest coal deposits located in the Daguma plateau, South Cotabato and Sultan Kudarat provinces. Initial findings indicate that the coal reserves of Daguma concession area could fuel a 3,000-megawatt power plant for 20 years, well ensuring SMC adequate coal supply for its various power generating plants.

In addition, there are plans for SMC to increase ownership of Indophil Resources which controls a third of the \$5.2-billion Tampakan copper-gold project in Mindanao. The big prize, Tampakan, is one of the largest undeveloped copper-gold deposits in the Southeast Asia-Western Pacific region. Once developed, it will be one of the top 10 copper mines in the world. SMC President and Chief Operating Officer

Ramon S. Ang has also recently expressed interest in coal mines in Indonesia to further ensure fuel supply for the company's power plants.

Yet San Miguel's foray into the coal mining industry has not been without speed bumps. Earlier this year, South Cotabato's provincial government passed an environmental code that banned open pit mining in the province. The national government is currently working to have the ban repealed and Ang is optimistic that new technologies and alternatives to open pit mining can be used to minimize damage to the environment. The SMC president strongly believes that coal remains the cheapest transition fuel amid the country's effort to promote renewable energy sources.

Given that Ang sees the most critical problem facing government is a looming power shortage that could hit the Philippines next year, lining up power plants and alternate energy sources is crucial.

"We have to start preparing for the power crisis now if we are to avert it," Ang has said on many occasions. As is the case with its diversification into heavy industry, SMC's venture into the mining sector is in equal parts altruistic and pragmatic. As one Manila broadsheet noted recently, San Miguel Corp. has a legitimate chance of becoming the country's biggest mining company in the medium-term period. ☈

\* Q2 2010 GDP (Gross Domestic Product), posted on the Philippine National Statistics Office website: [www.census.gov.ph](http://www.census.gov.ph)

\*\* Total external debt as of October 2010, reported by the Bangko Sentral ng Pilipinas website: [www.bsp.gov.ph](http://www.bsp.gov.ph)

## SAN MIGUEL'S POWER PORTFOLIO

These mining assets form part of San Miguel's power business.



### ONE POWER PLANT

620MW Limay combined cycle power plant



### 3 IPPA CONTRACTS

1,000MW Sual coal fired thermal power plant

1200MW Iligan natural gas fired combined-cycle power plant

345MW San Roque multipurpose hydroelectric power plant



### MINING ASSETS

100% stake in Daguma Agro Minerals Inc., Bonanza Energy, and Sultan Energy Phils. Corp.



### POWER DISTRIBUTION

33.2% Meralco