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“HOW TO BRING SUBSTANTIAL GROWTH TO THE JUICES AND NECTARS CATEGORY IN PORTUGAL WITH THE RELAUNCH OF THE COMPAL BRAND”: PROMOTIONS AND OMNICHANNEL STRATEGY FOR COMPAL SUMMO DO DIA

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1. Promotions

The purpose of this study is to elaborate on promotions and apply the most effective and suitable tactics to Compal *Summo do Dia*. Indeed, “promotions consist of a repertoire of activities designed to ‘move sales forward’ more rapidly than would occur with advertising alone” (Rossiter and Percy, 1997, 352). They are an incentive for the customer to act now (Rossiter *et al*., 2018).

Promotions are often referred to as sales promotions and, in most cases, when applied to Fast Moving Consumer Goods (FMCG), they appear in the form of price promotions. In practice, on average, a 10% price reduction will produce a 17% immediate increase in unit sales. However, price-off promotions ought to sell a lot of extra volume to be profitable. (Rossiter *et al*., 2018)

Nevertheless, not all promotions need to have an incentive such as price. “All that is required is that the primary communication objective is brand purchase intention, and that the message is aimed at encouraging immediate action on the part of the target audience.” (Percy and Elliot, 2016, 12). Promotions also create an immediate effect on brand awareness, as the brand and its most identifiable items are showcased to the consumer (Rossiter *et al*., 2018). Additionally, the ideal promotion must be in line with the overall Communication Plan and generate a positive brand attitude in order to maximize sales once the promotion is withdrawn (Rossiter and Percy, 1997).

There are three major types of manufacturer’s promotions: i) trade trial promotions; ii) consumer promotions; and iii) retailer promotions (Rossiter *et al*., 2018). For the purpose of this report, only the first two types will be detailed since retailer promotions are only conducted by retailers, not brands as is the case of Compal. Finally, promotions have distinctive techniques depending on the action objectives — trial or repeat purchase.

1.1 Trade promotions

Trade promotions, or manufacturer promotions to retailers, are normally a price promotion that the manufacturer presents to the distributor/retailer. The manufacturer bears the cost of the promotion to attempt an increase in distribution by the retailer who is interested in capturing the highest reseller profit
margin. (Rossiter and Percy, 1997)

Distribution is a crucial aspect for FMCG manufacturers. Moreover, distribution and presence in points of sale is relevant for the achievement of high market shares and significant turnover (Farris et al., 1989). As a matter of fact, the use of trade promotions represents an attempt in increasing distribution as much as possible. Particularly in consumer goods, market share behaves as an exponential function of distribution. On average, to achieve a 10% share of the market, the manufacturer ought to be present in 50% of retailers’ shelves. From that point onwards, market share is affected exponentially in a “double benefit” situation (Farris et al., 1989 in Rossiter et al., 2018).

In the customer’s perspective, both trade trial and consumer promotions look alike. The customers do not know who is financing and supporting the promotion they see at the point of sale. But even though trade promotions come from manufacturers, these “usually want extra performance from the distributor […] - particularly better display, more effort put into selling the manufacturer’s brand, and cooperative advertising” (Rossiter and Percy, 1997, 354). Moreover, trade promotions should be timed with consumer promotions because if the distributor understands that the product is also on promotion to final consumers, they will be more likely to enhance product shelf space and display (Rossiter and Percy, 1997).

1.1.1 Trial

There are five types of trade trial promotions: i) new line fees; ii) price-offs; iii) returns; iv) display material promotions; v) trade incentives. (Percy and Elliot, 2016; Rossiter and Percy, 1997; Rossiter et al., 2018)

The first type are new line fees, “which are cash payments or sometimes a proportion of the shipment donated free, which amounts to a price inducement, in return for stocking a new product or offering a new service for a specific time period” (Rossiter and Percy, 1997, 354). Nowadays, these are very common in Western countries’ FMCG products, particularly in big retailers with high bargaining power (Rossiter et al., 2018).
Secondly, there are price-offs, “which are a straight reduction in the selling price to the distributor” (Rossiter and Percy, 1997, 354). Similar to new line fees, this technique is commonly negotiated between manufacturer and retailer, and many retailers take advantage of their high bargaining power. Usually, these distributors manage to negotiate high discounts for themselves due to high competitiveness, particularly in the FMCG industry. If, for some reason, a manufacturer refuses to accept these terms, retailers can simply look for other manufacturer with a similar product (Rossiter and Percy, 1997).

The third trade trial type are returns. Returns are techniques used by manufacturers who agree to buy back product quantities not sold. (Rossiter and Percy, 1997)

Furthermore, there are display material promotions, which are either display allowances or branded merchandising material most regularly used in modern channel retailers (Percy and Elliot 2016). These “play an important role in the introduction of new products and line extensions. Given that many purchase decisions are made at the point of purchase, especially with FMCG brands, display promotions can be an important part of an integrated marketing communication programme. Good display material leads to better attention, especially important for brands driven by recognition awareness” (Percy and Elliot, 2016, 364).

Finally, trade incentives relate to gifts or premiums given to retailers that reach a specific goals sale or promote the manufacturer’s product in a special way. These are relatively inexpensive for the manufacturer and can be important in introducing new products and maintain good relationship with out-of-home retailers (Percy and Elliot, 2016). Trade incentives apply mostly to HORECA owners and usually come in the form of useful equipment for the cafe, such as glasses, trays, tables and chairs, napkin holders and sun umbrellas. Furthermore, it is a chance for brands to showcase their logo on items customers will use, hence promoting the brand itself.

1.1.2 Repeat purchase

There are four types of trade repeat purchase promotions: i) price-offs; ii) cooperative advertising
allowances; iii) sales contests; iv) sales education. (Rossiter and Percy, 1997)

Price-offs are the same as previously described for trial purchases with a small twist. Distributors are expected to pass the discount to the end-customer or will provide extra display or advertising to the manufacturer. This happens precisely because it is not the first time the retailer orders product from the manufacturer hence, these benefits are in both parties’ interests. (Rossiter and Percy, 1997)

Cooperative advertising allowances relate to joint efforts from both manufacturer and distributor to fund a retailer piece of advertising featuring the brand’s product. Usually, the manufacturer bears 70 to 90% of the cost in order to have more control over the content of the advertising. (Rossiter and Percy, 1997)

Finally, sales contests or sweepstakes that are more effective in consumer promotions, and sales education which is relevant for more technical and durable products. (Rossiter and Percy, 1997)

1.1.3 Consumer franchise building

At this point, it is worthwhile to mention the concept of Consumer Franchise Building (CFB). Indeed, promotions should be designed in a way that not only move sales upwards in the short term, but also create immediate brand awareness and contribute to building a positive brand attitude in the longer term (Percy and Elliot, 2016). This is a motto most manufacturers ought to keep in mind since retailers deal with several brands and have limited space. Retailers will not be concerned with brand aspects that the manufacturer should obviously care since their goal is solely boosting sales. Hence, “the manufacturer’s sales people should insist that the retailer advertisements clearly show the brand package (to increase brand recognition awareness) and, if possible, make the brand-item’s key benefit claim visible or separately stated in the retail ad (to increase or reinforce the consumer’s brand attitude)” (Rossiter et al., 2018, 274).

1.2 Consumer promotions

The second main type of promotions are consumer promotions or end-customer promotions. These concepts include all promotional actions directly to end-customers for both the modern channel and the
HORECA channel.

Consumer promotions differ from trade promotions because the promotion itself is solely financed by the manufacturing brand, and the beneficiary are customers. As mentioned before, consumer promotions can either aim for trial or repeat purchase, depending on the action objectives.

1.2.1 Trial

First technique is product sampling and refers mostly to free samples of the product to be introduced. It has been described as “the strongest known trial-generating technique” even though it is “initially expensive” (Rossiter and Percy, 1997, 357). Additionally, repeat purchases are the way of regaining this high initial investment. Other favourable fact about product sampling is that “about 75 percent of consumers who receive a sample will try it, and about 15 to 20 percent will then proceed to make a subsequent full-priced purchase” (Rossiter and Percy, 1997, 357).

Sampling is able to generate immediate brand awareness, and “favourable” trial will further lead to establishing brand purchase intention and a positive brand attitude. Furthermore, consumers who are satisfied with the sample will not only purchase the product for themselves, but may create favourable word-of-mouth to other prospective triers, hence becoming advocates for the brand (Rossiter and Percy 1997). Finally, because a product sample is the product itself, immediately generates customer franchise building (Rossiter et al., 2018).

When applied to FMCG — representing a low involvement purchase — the product must clearly be the hero and deliver easily identifiable benefits; otherwise, the promotion will not work because the product cannot bring any advantage to the buyer. Thus, why would he be interested in a sample? (Rossiter and Percy, 1997).

Secondly, there are several price-off techniques: i) refunds, that are nowadays seldomly used; ii) warranties, that apply mainly to high-involvement purchases; iii) direct price-offs, sponsored by the manufacturer; however they are not recommended due to the fact that there is no established reference price in the consumer’s mind (Rossiter et al., 2018) and iv) bonus packs, meaning offering more of a
product, either in a bigger sized package or providing one extra unit (Rossiter and Percy 1997).

Third technique are premiums, which can be products offered free or at price below their retail value. They work as an incentive for trial consumers to buy the new product. It is crucial to reinforce the brand’s items key benefit, otherwise the consumer will focus too much on the short-term promotion benefit, not contributing to CFB. (Rossiter et al., 2018)

The fourth technique on consumer trial promotion was perhaps the most effective in the past century. Coupons may be defined as vouchers implying a price reduction on a product. Furthermore, this method works best as a trial prompter if the consumer already has a favourable brand attitude towards the brand in hand. Yet, in the case of a new consumer good product, coupons are generally less effective than sampling. The sample has an advantage facing coupons because it is a much easier method to convey the new product for prospective buyers (Rossiter and Percy 1997).

1.2.2 Repeat purchase

Consumer repeat purchase promotions aim at stimulating long-term repeat purchases from consumers who have already tried the product (Rossiter and Percy 1997; Rossiter et al., 2018).

The first technique are direct price-offs which, similarly to trial promotions, are not a good option to boost sales and increase CFB, particularly in FMCG. Not because the item is new to consumers, but because “[direct price-offs] do not increase the rate of full-price purchasing, and during the promotion, the manufacturer always loses profit, even though unit sales go up” (Rossiter et al., 2018, 280). Despite being widely used by manufacturers — either due to being overshadowed by the short-term increase in market share or because the competition is doing so — 96% of price-off promotions end up with no accountable effect on long-term sales. (Rossiter et al., 2018).

The second technique are sweepstakes and contests, the first is basically a lottery based on pure luck, whilst the second requires some skills to enter. Both techniques attempt to encourage multiple entries to stimulate multiple repeat purchases, but studies have shown that there is only a 1% conversion rate in the subsequent purchase, making sweepstakes and contests a rather ineffective method in the
long run. Additionally, there is no CFB involved in this method. (Rossiter et al., 2018)

Thirdly, there are multi-purchase loyalty premiums, as for example what McDonald’s does for children. This technique relates to giving an incentive or gift to reward and stimulate repeat purchases. In the FMCG industry, most of these “premiums” come in the form of discounts to heavy users, the most relatable example would be “buy two, take three”. Nonetheless, studies have proven that loyalty is not actually attained with this promotion method, even though there is CFB with some positive effect on brand attitude (Rossiter et al., 2018).

Fourth and last, manufacturers can increase repeat purchases based on the package itself or by using it as a communication channel by conveying messages to the user (Rossiter et al., 2018).

Regarding the promotion strategy to be put to practice by Compal in the launch of the new product, it can be divided into price promotions, either trade or consumer, as well as marketing promotions.

In what concerns price promotions, Compal will incur in new line fees to modern channel retailers, as well as price-offs to both modern channel and HORECA retailers. Additionally, the company will also run consumer promotions for shoppers in the modern channel. (Trindade et al., 2020)

Regarding the marketing promotions, the strategy is to include display material promotions and pieces of advertising displayed in the modern channel retailers. These include floor stamps, stickers, price banners, fridge banners, tree-shaped refrigerators and even banners for alarms (Exhibit 1). Trade incentives will also be adopted to provide an incentive in HORECA negotiations, including the already in use branded equipment, further completed by more premium gifts to the new HORECA, including paper straws and wooden trays and napkin holders (Exhibit 2). (Trindade et al., 2020)

Marketing promotions are concluded with sampling, which ought to be executed in hypermarkets, business and urban areas and beaches, this last solely in the summertime. All sampling activities will have the backup of a branded and personalized Compal wooden stand, that allows for product trial. (Exhibit 3) (Trindade et al., 2020)
1.3 Brand Activation

Another effective and interactive way of promoting a brand are brand activation activities. Brand activation “uses all available media channels to interact with consumers and create experiences that build brand affinity and drive consumer action” (Eitelbach, 2016). This concept requires coherence, meaning brands ought to choose activation tactics that relate to the positioning and image of the overall brand, in order to assure that consumers will perceive the brand as one and identify its main brand items on the several touchpoints or other forms of contact with the brand (Morel et al., 2002).

Compal’s brand activation strategy will include a promotional action in festivals, in partnership with PlayStation®, where attendees will play an interactive virtual reality fruit ninja game. Winners will be awarded free samples of Compal Summo do dia and overall participants will receive inflatable fruit (Exhibit 4) (Trindade et al., 2020).

Furthermore, Compal ought to create a pop-up store to be located in Baixa-Chiado, to sell ice cream rolls made with milk and Compal Summo do dia with added toppings at will. Whilst the idea is not to make a profit, the purpose is to promote the new product and it’s freshness by creating a fun experience with a generally likeable product (Exhibit 5) (Trindade et al., 2019).

Finally, a public relations (PR) event is scheduled to take place, debuting the product with the presence of traditional media, influencers and nutritionists (Exhibit 6) (Trindade et al., 2019).

<table>
<thead>
<tr>
<th>Promotion type</th>
<th>Start date</th>
<th>End date</th>
<th>Cost</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New line fees</td>
<td>1-jan-2021</td>
<td>15-abr-2021</td>
<td>270 000</td>
<td>To be negotiated until product launch</td>
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<tr>
<td>Trade price-off</td>
<td>1-jan-2021</td>
<td>31-dez-2025</td>
<td>5% of sales</td>
<td>Throughout the whole period</td>
</tr>
<tr>
<td>Consumer price-off</td>
<td>1-jan-2021</td>
<td>31-dez-2025</td>
<td>20% on price to consumer</td>
<td>Throughout the whole period</td>
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<tr>
<td>2) Marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Display material</td>
<td>15-abr-2021</td>
<td>15-jun-2021</td>
<td>33 000</td>
<td>To be used in future years as well (assuming they are reused)</td>
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<tr>
<td>Display material (2nd wave)</td>
<td>1-set-2022</td>
<td>1-nov-2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade incentives (HORECA)</td>
<td>1-abr-2021</td>
<td>31-abr-2021</td>
<td>78 000</td>
<td>Only for the new HORECA</td>
</tr>
<tr>
<td>Trade incentives (2nd wave)</td>
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<td>31-jan-2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sampling (Supermarket)</td>
<td>1-mai-2021</td>
<td>15-jun-2021</td>
<td></td>
<td>6 weekends from 11h-19h</td>
</tr>
<tr>
<td>Sampling (Urban and Business)</td>
<td>15-abr-2021</td>
<td>15-mai-2021</td>
<td>69 204,56</td>
<td>2 times per week [working days] from 8h-10h and 12h-14h</td>
</tr>
<tr>
<td>Sampling (Beach)</td>
<td>1-ago-2021</td>
<td>9-ago-2021</td>
<td></td>
<td>8 days from 15h-19h</td>
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<tr>
<td>Brand activation (Fruit Ninja)</td>
<td>1-jan-2021</td>
<td>31-dez-2021</td>
<td>56 200</td>
<td>12 Sundays per year</td>
</tr>
<tr>
<td>Brand activation (Ice cream)</td>
<td>15-mai-2021</td>
<td>15-ago-2021</td>
<td>0</td>
<td>Ice cream sale covers costs</td>
</tr>
<tr>
<td>PR event</td>
<td>16-mai-2021</td>
<td>-</td>
<td>40 000</td>
<td>Friday the 16th during the afternoon</td>
</tr>
</tbody>
</table>
2. Omnichannel strategy

Omnichannel retailing relates to several channels a retailer possesses to sell their product or service. A channel is a customer touchpoint through which the company interacts with the consumer (Simone and Sabbadin, 2017). Whereas a multi-channel approach recognizes the importance of having several touchpoints with the consumer, it does not plan for integrating consumer journeys amongst these retail channels. Oppositely, omnichannel involves more touchpoints, blurs the barriers in between them, and emphasizes the interplay between these channels and brands (Verhoef et al., 2015).

The omnichannel approach is prompted by several technological innovations throughout recent years. These include improvements in mobile technology, innovative software and augmented reality that, altogether, have contributed to eliminate the boundaries between previously individual channels as well as connecting the online to the offline world (Brynjolfsson et al., 2013). Additionally, on the demand side, consumers now appeal to a more personalized and convenient offer, pushing manufacturers to pay special attention to shopping behaviour from need arousal to purchasing products or even advocating brands (Deloitte 2015).

Hence, companies are moving from managing channels individually — as it was done in the past when brick-and-mortar and online had separate strategies — to integrating their multiple touchpoints and interweaving sales channels (Simone and Sabbadin, 2017). Omnichannel is then defined as a singular customer experience for sales and marketing regardless of the touchpoint (Herhausen et al., 2015), as well as for the company, that strategizes and manages physical and digital as one (Rigby, 2011). This further allows for manufacturers to take advantage of synergies from both worlds and combine them to ultimately provide the best customer experience (Rosenblum and Kilcourse, 2013).

The plan’s omnichannel strategy will, in an earlier teaser campaign phase, lead the consumer to Saborista —through a QR code on mupis or clicking on social media ads — and create a contest to take a guess on the flavours to be launched later that year. The winner will be awarded with an exclusive chance to try the product before its debut in retailers (Exhibit 7). When the product becomes available
in retailers, and by following the same paths as described above, the consumer will again be taken to Saborista, this time providing accurate locations to purchase the product in modern and HORECA retailers (Exhibit 8).

Somewhere in the future, Compal’s omnichannel strategy ought to scale by developing a unique Compal app providing experiences in a point reward system by scanning product’s Stock Keeping Units (SKUs). Users will be able to provide feedback on products and even become co-creators in future products or personalized offers. Furthermore, this represents an opportunity for the company to establish partnerships and create a business ecosystem.

References
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Rosenblum, Paula and Brian Kilcourse. 2013. “Omni-channel 2013: The Long Road to Adoption.” Retail Systems Research
Appendices

Exhibit 1 — Display Material
Exhibit 2 — Trade Incentives

i) paper straws  
ii) trays  
iii) napkin holders
Exhibit 3 — Sampling activities

Exhibit 4 — VR brand activation

Exhibit 5 — Ice Cream rolls brand activation
Exhibit 6 — PR event influencers

Exhibit 7 — Omnichannel: Saborista’s web page in the teaser campaign

Exhibit 8 — Omnichannel: Saborista’s web page with a map