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**CAN A LEMON BASED *SAGRES* PRODUCT ATTRACT
CONSUMERS THAT DON'T DRINK BEER?**

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ABSTRACT

The purpose of this project is to understand if the brand *Sagres* is damaging the product *Sagres Radler*. The beer market in Portugal was studied and focus groups were used to perceive the impact of the brand in the product. The mother brand is bringing the beer association into a product designed to engage people that don't like beer. With the insights, a new proposal was drawn and tested. Although it was not possible to prove that the new concept is better for the population, there are strong indications that the brand isn't enabling the achievement of the proposed target.

Beer Marketing | Brand Associations | Marketing Research | Concept Testing

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1. INTRODUCTION

Sagres is one of the top beer brands in Portugal with 32% of market share. Together with *Super Bock*, the second top competitor, they address more than 60% of the market.

In a beer market that has lost 23% of volume since 2009, beer brands have been facing a severe decline in results in the last years. Beer consumption in Portugal has diminished from 62 liters per capita in 2006 to 49 in 2013. Driven by the increasing awareness of alcohol's harmful effects and the economic crisis, the Portuguese market is following the generalized decreasing trend of other European beer markets.

To overcome the cutback in revenues, companies have diversified their portfolios. Focusing on people that are not frequent consumers, companies invested in creating new beers with lemon. Over the years, such beers were branded using already existing beer brands and have always failed. *Sagres Radler* beer enters the market in this context.

The purpose of this project is to understand if branding this type of products - that are meant for people that don't like beer - under a successful beer brand can jeopardize the product's results. For that, *Sagres Radler* will be used as the case to be studied, since it is branded under a powerful brand, it is one of the most recent lemon beers in the market, and it had one of the largest promotional investments in this segment.

2. METHODOLOGY

In this project different methods were used to fulfill various objectives in each of its stages. Therefore, it was possible to overcome some limitations of one method with the use of another, reducing the possibility of research errors, thus making the final results more valid. Each methodology used is described when it becomes relevant and useful to refer it.

3. AUDIT

In order to better understand the beer market in Portugal, its players, dynamics, and trends in the last years, a market audit was performed. This was done using secondary data available on the beer market: company's information, industry reports by consultancy firms, and

specialized reports (Euromonitor International). The data was read and carefully analyzed to contextualize the problem.

3.1. Context

In Portugal, the beer market has a total impact on the national economy of 1,1 billion euros and is responsible for 75.000 jobs, distributed by breweries (direct effect), suppliers, hospitality industry, and retail.

This market has been shrinking since 2006: the most recent data from 2013 shows a volume of 470,7 million liters, representing a reduction of almost 23% in the market volume since 2009. This is not surprising, given that consumption per capita has decreased from 62 liters in 2006 to 49 liters in 2013 (APCV¹, 2014). Beer market value is currently situated around 2.603,6 million euros.

The decrease in the beer market size is surely related to the overall decrease of the alcoholic beverages market. The volume of alcoholic drinks sold in Portugal in 2013 was 18% lower than in 2007. The main explanation for this decrease has been the reduction of purchasing power of Portuguese people (World DataBank, Sep. 2014). These have diminished consumption of non-essential goods such as alcohol. Nevertheless, the break in consumption of alcoholic drinks is due to the increasing awareness of alcohol's harmful effect. This has lead generations to drink less than the generation before them.

All alcoholic drinks have been suffering a decrease in their sales numbers. However, when analyzing relative percentages in the market, wine's share has been increasing, whereas beer's is decreasing (consult Appendix 1, Graphic A. for an explanatory graphic). This implies that there has been a substitution of beer consumption for wine, probably linked to the generalized perception that beer is more harmful than wine.

In the concrete case of beer, João Abecasis, president of the APCV, points the decrease in purchasing power as the reason for the loss of the social moments that appeal to beer

¹ APCV stands for Associação Portuguesa dos Produtores de Cerveja

consumption. Portuguese people are not going out as much, so they are not consuming as much beer. Also, he considers that summer months have a weight of one third of sales and summer weather in the last years has worsened sales numbers.

Other European countries have followed the same decreasing trend. However, each country has pointed its own reasons for the decrease of the beer market, thus there is no specific reason that can be identified as the cause of the markets' decline.

Regarding distribution channels, the on-trade channel (out of home consumption) has a lot of weight in the beer market representing 66,3% of the total market. Within the off-trade, the most important distributors are supermarkets and hypermarkets with 19,9% of the distribution of beer in Portugal. However, the off-trade has been taking over some of the on-trade's share over the last few years (consult Appendix 1. Graphic B. for an explanatory graphic). This change is driven by an increasing promotional activity in supermarkets (Kantar Worldpanel), the aforementioned purchasing power decrease that leads people to do more at-home programs and cut in going out, and a shift in the supply chain of some restaurants and coffee shops that may buy beer from supermarkets.

In the beer market, suppliers are small and numerous, breaking the market just enough to not menace the power of the breweries. Breweries are also capable of doing some vertical integration, by malting their own barley for example, and limit even more the power of suppliers. Buyer power from clients is balanced between the low switching costs and the large size of some clients, and the need of keeping a stock that pleases a wide range of consumers. Further, entrance costs, such as the investment in production capacity and government regulations demotivates possible new players from entering the market.

The beer market has been severely affected by taxes. The VAT over beer has increased from 17% in 2006 to 23% nowadays. More, the major channel for beer distribution (HORECA²) has suffered an increase in taxes to 23%. Even though clients³ have taken on themselves

² HORECA stands for hotels, restaurants and coffee shops.

³ Clients refers to distributors such as restaurants, coffee shops, hotels, supermarkets, hypermarkets, etc.. Consumers will be used to refer to the final consumer of the product.

most of the cost increase, the increment in VAT for this channel still translated into a decrease in sales. Additionally, with the increase of the VAT some businesses from the on-channel had to close, decreasing purchases (refer to Appendix 1. Graphic C. for an explanatory graphic). Over that, beer has the SCT - Special Consumption Tax, applicable to alcohol, tobacco and oil products. Beer pays a variable tax depending on concentration of must. For instance, the great majority of beer consumed in Portugal has a concentration between 10 and 11 degrees, which means they pay 13,92€ per hectoliter of SCT tax.

Forecasts show that the beer market value may decrease 4,9% from 2013 until 2018. With a positive year in 2014, strong decreases in 2015 and 2016 will lead to a continuous shrinking of the beer market in Portugal. The reasons pointed continue to be the shift in consumption from beer to a healthier option.

In order to face this and enlarge the beer category, most beer brands and companies have launched beers that are produced with a base of lemon or lemon flavor. These new beers aim to be more refreshing and have a smother beer taste, satisfying a new group of consumers. Accordingly, from 2012 to 2013 the sub-category of flavored beers grew to more than four times its market volume. With a value of 96,1 million euros, this sub-category currently represents 5,1% of the beer market volume. However, this portion of the market is not expected to continue growing at the same pace from now on. In 2013, two new products were launched in this market. Thus, the huge growth in this sub-category is explained by the novelty effect created by such products and the huge investment in promotion done by companies, which will not be sustainable in the coming years. Forecasts show that from 2013 to 2018 the flavored/mixed beer sub-category will only grow from 24 to 24,6 million liters.

Additionally, these products have been facing a fierce competition from ciders, which are targeting people that do not like beer. The ciders market in Portugal more than tripled between 2012 and 2013, to a market volume of more than 2.600 thousand liters, and the trend is to keep growing. So far, the rapid growth of this category is mainly due to the promotional

activity of Somersby in Portugal. This brand owns 74,9% of the market volume, but other companies are starting to invest.

In summary, the beer market has been decreasing not only in Portugal but at a European level. Driven mostly by breaks in purchasing power and changes in consumer habits that are looking for healthier options, this decrease has been fought using lemon based beers, to attract new consumers to the category. Yet, these products and ciders (their main competitors) are growing based on huge promotional investments which will not be sustainable in the future. Overall the beer category has been struggling against tax raises on the product and distributing channels.

3.2. Competitors

The market volume can be segmented into various types of beer: lager (standard and flavored), low/no alcohol, dark beer (ale) and stout. Standard lager clearly leads the market, representing 83%, whereas flavored lager is forth, with 5,1% of the market (consult Appendix 1. Graphic D. for an explanatory graphic.)

The beer category is led by *Sociedade Central de Cervejas e Bebidas - SCC* (part of the *Heineken* group) and *Unicer* (partly managed by *Carlsberg*). They are responsible for 80% of the market (consult Appendix 1. Graphic E. for an explanatory graphic.) and producers of the most consumed beer brands in Portugal: *Sagres* and *Super Bock*. Representing 32% and 31% of the market, respectively, other beer brands are not comparable to them (consult Appendix 1. Graphic F. for an explanatory graphic.).

The two brands are completely different in terms of positioning. *Super Bock* tries to appeal a younger target and is more directed to the night life and summer events; whereas *Sagres* tries to focus in football and being national.

Both brands have different types of beer for different occasions, states of mind, and target consumers. For example, the auburn variety exists in both portfolios to satisfy consumers

during winter and in indulgent moments (*Sagres Bohemia* and *Super Bock Abadia*). Other options like non-alcoholic beer and black beer are also included in their portfolios.

The newest innovations for both companies were the lemon based beers (that will be explored ahead) and ciders. These are meant to attract the considerable percentage of the population that doesn't drink beer.

SCC and *Unicer* also manage *Heineken* and *Carlsberg* brands, respectively. These are more exclusive and also more expensive beers, lighter in terms of color and flavor.

Even though *SCC* and *Unicer* are so similar in terms of portfolio, they are quite different in terms of the groups' financials. In 2013, the *Carlsberg* group registered 11.846 million dollars in revenues, with a profit margin of 8,2% and a revenue decrease of -1%. In the same period, *Heineken* had 25.491 million dollars in revenue, with a profit margin of 7,1% and a revenue growth of 4,5%.

The cheaper side of the market for very price sensitive consumers is represented by the brands *Imperial* and *Cristal*.

Private labels are not significant in this market because consumers don't perceive quality in the product. Both *Continente* and *Pingo Doce*, the two major retailer chains in Portugal, tried to buy existing brands (*Marina* and *Cergal*, respectively) in order to overcome this issue. Still, they haven't been successful in competing with the top two brands, having only 1,3% and 1,1% market share, respectively.

Other European countries have a much more segmented market for beer brands and top players. From the 20 countries analyzed (consult Appendix 1. Table 1. for the complete comparison table) only Belgium, Croatia, Greece, Ireland, and The Netherlands have a top player with more than 20% market share. These five countries and Finland are also the only that have a concentration ratio of 4 higher than 50%. When analyzing second players in the market, differences are even more notable since only Ireland and Finland have players with more than 15% market share. Portugal is the only of the analyzed countries with an

Herfindahl Index higher than 0,2; meaning it is the only country with an oligopoly market structure (duopoly in this case).

To conclude, Portugal's beer market is a duopoly where other brands that have tried to compete with the two main competitors have failed to do so. This has led to an increase of *Sagres* and *Super Bock*'s strength as brands in the minds of consumers. Such strength is extremely unusual in European countries where markets are much more segmented.

Lemon based beers

The effort to attract non-consumers to the beer category is not a new trend. Over the years, top brands in the market have launched lemon based products with such goal in mind (see Appendix 1. Figure 1. for a clearer timeline).

The first launch in this segment was made by *Super Bock* in 2004 - *Super Bock Green*. The product used the combination of beer and lemon juice to transmit the idea of a beer that is very easy to drink. After failing, it ended up being re-launched in 2014 with a new strategy: *Green by Super Bock*, a change in the branding scheme giving less emphasis to the *Super Bock* brand, and a new value proposition of freshness.

In 2007, *Super Bock* went for a different direction to attract this target by launching *Super Bock Sem Álcool 0,0%* in the varieties of lemon and peach. The strategy was to bet on the non-alcoholic varieties and the fruit flavors to reach this target. By the same time, *Sagres* launched a limited edition during summer months, *Sagres LimaLight*, using the concept of a beverage that mixes *Sagres* beer and lemon juice, with fewer calories.

In 2010, *Super Bock* tried to add an apple variety to the *Super Bock Sem Álcool 0,0%* range of products. However, all these beers ended up failing and not having the desired impact in the market. In the same year, *Sagres* launched *Sagres Panaché* by portraying it as a light beer with notes of lemon good for summer time, getting quite close to the current positioning of *Sagres Radler*. Still, this product wasn't successful.

In 2013, the “war of lemon” set in with the launch of *Sagres Radler* and *Cheers Radler* (beer brand owned by *Unicer*) with only a few days apart. Both products followed the ancient recipe from Baviera and promised a lighter flavor beer with a mix of lemon juice and low levels of alcohol. The only difference between the two was the promotional investment made by companies, in which *Sagres Radler* was clearly ahead with 5 million euros. This “war” was later confirmed with the aforementioned re-launch of *Super Bock Green* by *Unicer*’s main brand. Also in 2014, *Sagres Radler* bet again in this segment and the newly developed concept with two new products: *Sagres Radler 0,0%* (with no alcohol) and *Sagres Radler Lima-Gengibre* (a new flavor).

The latest data from May 2014 shows that *Sagres Radler*, with one year of existence, is leader of the segment with 1,7% market share in the total beer market. The newly re-launched *Super Bock Green* attained 0,5% market share and *Cheers Radler* had 0,1%.

Through time, all the new products have been following a source brand strategy with a 50-50 ratio of importance between the commercial brand and the corporate brand. This strategy is useful to transpose the mother brand’s significance and identity to attract a specific target to the new brand. Nevertheless, in some cases this scheme can lead to incongruence between the parent and the daughter brand. This may be the case for these products given that mother brands are strong in the beer category and daughter brands are supposed to engage people that don’t like beer.

In sum, over the years companies have made several attempts to engage people that don’t drink beer, but these have all ended in failure. Even though they have tried different concepts and positionings, one thing remained the same: they always used the existing beer brands to brand the new product, which may have led to inconsistencies in branding in consumers’ minds.

3.3. Customers

Beer consumers tend to prefer one of the two main lager beers in Portugal: *Sagres* or *Super Bock* and remain loyal to them. Some develop emotional connections almost like if it is their sports team. These preferences are noticeable geographically, being that *Super Bock* is stronger in the North and *Sagres* in the South of Portugal. Still, the increase in promotional activity in supermarkets has disturbed this emotional loyalty of beer consumers.

To collect more information on the consumers in a qualitative manner, a small online survey was conducted (refer to Appendix 2 for the applied survey structure). The survey was composed of multiple choice questions to determine demographics and a comparative scale: constant sum. This was used to see consumption differences in the scenarios' questions.

Given the extensive size of the survey, some aspects were given special attention. Question wording was taken into consideration to include vocabulary to the level of respondents, not to include ambiguous words such as “frequent”, not to make leading questions, and to avoid implicit alternatives and assumptions. Questions' order was carefully thought to use opening questions that allow gaining the respondents' confidence, avoid making questions that are not really necessary, and use a logical order. Because of the survey's extension it became important to overcome unwillingness to answer by diminishing the respondents' effort to answer and explaining the legitimate purpose of the research. The survey was pre-tested but there were no major findings. In order to take advantage of the researcher's network of contacts and speed up the data gathering process, convenience sampling was used.

The online survey was conducted between September 26th and October 12th with the purpose of better understanding both beer consumers and non-consumers. It had 252 valid responses, being that 51% of the respondents were man and 94% of all respondents had between 20 and 60 years old. More, 37% of respondents were students. For further results of the survey consult Appendix 3.

After looking at demographics, it is possible to depict limitations of the survey and its results, such as:

- Small sample size, not being representative of the population (N=252);
- Large percentage of respondents were students and between the age of 20 and 29 years old (46%), so there may be a bias in results;
- Online method and convenience sampling, concentrated responses in a small group of people with similar characteristics, for example location and background, which may have caused a bias in results;
- Some people may have not answered according to instructions.

Finally, the survey information was analyzed using SPSS and basic statistical knowledge. The first outcome was that 73% of the people that answered the survey are beer consumers. From these consumers, 28% consume beer one or less times every two weeks, which leaves us with an actual market of regular beer consumers of 46% of total respondents. This shows that there is a large part of the market that doesn't fit the beer drinkers' category.

Within consumers, it comes as no surprise that in terms of frequency of consumption, men tend to drink more beer than women on a weekly basis: 31% of men drink beer 2/3 times a week and 15% drink 4 or more times, against 38% of women that drink beer less than one time every two weeks.

Even though consumers were divided more equally in terms of gender (62% are men), 82% of non-consumers are women, pointing to a gender bias in this segment of the market.

More, 67% of non-consumers point the bitter flavor as the main reason for not drinking beer, and 18% point the presence of alcohol as the reason. The calories and the mythic "tummy effect" are not considered as factors to not drink beer.

When asked to say what they drink instead of beer, non-consumers, choose water (49%), *Coca-Cola* (25%), natural juice (22%), ice tea (19%), *Somersby* (18%) and fruit juice like *Compal* (18%). These substitutes point for the less alcoholic side of the market and more health concerned choices.

In this survey respondents that identified themselves as non-consumers or low frequency consumers (drinking beer one time or less every two weeks)⁴ - 70 LFC and 67 NC - were asked about what would they drink in specific situations and identify the reason why they chose it. The four scenarios designed to understand consumption behavior of this target were: being in a sun terrace at the end of the afternoon, going out at night with friends to a bar, going to a music festival, and eating a light meal. Overall, the reason for choosing a drink for NC and LFC is the sense of freshness, followed by the sweet flavor. The exception is the bar scenario where the presence of alcohol was a significant factor. Also, LFC have a tendency to choose bubbly options much more strongly than NC. Bottled water and *Coca-Cola* are always among the top choices, whereas cider is not present in most cases. (Appendix 3).

The analysis of brand awareness, usage, and associations demonstrates a clear segmentation of the market between *Super Bock* and *Sagres*. These show to be very strong brands in the mind of the consumer, with other brands quite far-between from them. (Appendix 3)

When focusing on *Sagres Radler*, 56% of the total respondents have tried it, being that only 31% of non-consumers have tried it. Although 65% of beer consumers have tried it, 67% don't consume *Sagres Radler*. So, the product hasn't been able to penetrate the beer consumers market nor to motivate trial by the non-consumers segment of the market.

According to the survey, *Sagres Radler* consumers are men (64%) who consume beer regularly (71%). More, the majority of people that have tried *Sagres Radler* are beer consumers (85%), frequent users (67%) and men (62%). Given that the target of the product is women who do not drink beer, the product is not attracting the market it was designed for. Instead it has been inducing a shift in consumption of regular beer users, causing cannibalization within the brand's products.

Thus, it becomes interesting to analyze the survey on the proposed target for *Sagres Radler*: women who don't like beer. It was considered that not liking beer is the same as saying that they are LFC or NC, segment that is composed of 66% of women. So, the specific segment

⁴ Low frequency consumers will be referred to as LFC and non-consumers as NC.

of women that don't like beer correspond to 36% of the respondents. Within the NC, 70% of women point the bitter flavor as the reason to not drinking beer. Their answers in the scenarios were the same as the previous analysis. 56% of women who don't like beer have never tried *Sagres Radler* but this number grows to 71% for NC. From the LFC, 68% don't consume *Sagres Radler*. No conclusions could be drawn about the age of this target.

Summarizing, between LFC and NC, over half the total market doesn't fit the regular beer consumers' category. The most pointed reason for non-consumption is the bitter flavor. Most beer consumers are not consumers of *Sagres Radler* and non-consumers don't even try it. Further, instead of appealing to women that don't like beer, *Sagres Radler* has been attracting men who are regular consumers.

3.4. Company

With headquarters located in Vialonga, *Sociedade Central de Cervejas e Bebidas (SCC)* is a major beer producer in Portugal. Apart from beer production, the company also takes care of malting barley to be used as raw material and packs the final product before distributing it.

SCC was first formed in 1934 with the association of four beer producers: *Companhia Produtora de Malte e Cerveja Portugália*, *Companhia de Cervejas Estrela*, *Companhia da Fábrica de Cerveja Jansen* and *Companhia de Cervejas de Coimbra*. Over the years, the company incorporated beer producers and brands from other markets, such as *Luso* (water).

In 2003, *SCC* was bought by the *Scottish and Newcastle* group, which lasted up until 2007 when *SCC* assumed Dutch ownership under the *Heineken* group.

SCC is the current Portuguese representative of the beer brands *Sagres*, *Heineken*, *Desperados*, *Affligem*, *Bud*, *Foster's*, *Guinness*, *John Smith's Extra Smooth*, *Kilkenny*; cider brands *Strongbow* and *Bulmers*; mineral water brands *Luso* and *Cruzeiro*; and soft drinks *Royal Club*.

Since 2009, *SCC* increased its percentage of the total volume of the beer market from 36,8% to 38,6% in 2013, against *Unicer's* 42,1% in the same year.

Within the company, *Sagres Radler* has been appraised as the best innovation ever of *SCC* in the beer market. Launched in 2013, *Sagres Radler* represented in the same year 1,7% of the total volume of the beer market. This market share portrays 33% of market share of the flavoured/mixed lager segment of the market.

3.5. Collaborators

For beer production and packaging process, *SCC* needs regularly some raw materials and packages such as bottles, cans, caps, and carton packages, which come from various suppliers. More, *SCC* has a number of marketing and merchandising suppliers that work directly with it in order to: plan and put into action campaigns to attract consumers, produce materials to use in points of sale, design packages and special editions, and provide space to transmit marketing messages like outdoors and TV broadcasting time.

Further, the mother brand *Sagres* has numerous partnerships with strong companies and brands such as the Portuguese football league, the Portuguese Football Federation (FPF) and some football teams (as Benfica, Braga, Estoril). It also benefits from *Heineken* partnerships with the UEFA Champions League and music festivals (as Nos Alive, Rock in Rio).

4. BUILDING A WORKING HYPOTHESIS

After analyzing the market, it is possible to see some evidences of a problem.

- The beer market in Portugal is a duopoly where brands that tried to compete haven't been successful, thus making the leaders *Sagres* and *Super Bock* extremely strong in the mind of consumers.
- This market has been shrinking for several years now, so it becomes extremely important to expand it in order to face the coming years.
- To expand the category companies have been addressing people that don't drink beer regularly - over half of the total market, to become users of the category through lemon based products.

- Evidence shows that the great results of the new products in this category are supported by the enormous amount of money spent on advertising and the novelty effect, not being sustainable in the future.
- Previous attempts made by companies in the market resulted in failure, being that branding was always made using the existing beer brand, even that positionings and value propositions have changed over time.
- According to the survey conducted, most people that don't drink beer haven't tried *Sagres Radler*. Additionally, instead of attracting women that don't like beer, the product has been inducing male regular consumers to shift consumption from regular beer to this product – causing cannibalization within companies.

Looking at this, a question arises: can it be that having the product branded under the existing beer brand has harmed its results? Can a product attract a target that doesn't like beer with the pre-existing and strong brand associations with the category?

5. RESEARCHING THE OPPORTUNITY

In order to understand if brand associations are jeopardizing the product, two focus groups were conducted (refer to Appendix 4 for the focus groups guides used).

Focus groups were the tool chosen for this research because they allow for a qualitative understanding of the consumer and take advantage of group mechanisms that are quite relevant to its results. For example, beer consumption moments are group situations ergo in the focus group there is a replay of the situation and interactions (e.g. peer pressure). Also, these group mechanisms empower the participants to lead the interventions, making the results less dependent on the moderator, overcoming some lack of experience from the moderator. Further, it is relatively easy to conduct focus groups compared to other techniques, less time consuming and allows for immediate results based on the groups' discussions. However, it generates less content per time period and is more elaborated to

arrange than an individual interview (space, schedule arrangement), and the data gathered is harder to be analyzed.

The focus groups were both constituted of women between 20 and 30 years old that are low frequent users of beer. On the first group, the concept board shown had the brand *Sagres Radler*, whereas the second had a product with no brand (refer to Appendix 5 for the concept boards shown). Both groups tried the product. The objective was to see the difference in perception of the product with brand and without it.

The first insight taken from the focus groups was about occasion of consumption. Before trial, the unbranded concept group⁵ perceived that the concept shown should be consumed with meals or at the end of the afternoon. After trial, this group gets closer to the opinions of the *Sagres Radler* concept group⁶, defending that the concept should be consumed in the environments described as ‘beer context’. The ‘beer context’ was described as being: football games, music festivals, late afternoon in a sun terrace and beginning of the night.

Globally the SRCG’s discussion was much more guided by the topic beer than the UBCG where the beer category was less mentioned. The UBCG didn’t associate the product tasted with beer; instead they associated it with a juice (“*parece um sumo (...) parece mesmo Sumol de limão*” 22, UBCG⁷) and a small percentage of alcohol (“*o sabor é bom. Não se sente o teor alcoólico*” 25, UBCG).

More, the UBCG perceived the unbranded product as having less alcohol content than *Sagres Radler* (“*a Radler sabia muito a álcool e esta aqui sabe-me mais... Não se nota o sabor a álcool e isso é agradável*” 25, UBCG) and being lighter (“*mas a Radler é mais intensa, não é?*” 22, UBCG). Further, this group was more convinced about whether or not they would buy the product after trying it (“*Sim, depois de provar, se calhar antes de provar não ia comprar.*” 25, UBCG).

⁵ The unbranded concept group will be referred to as UBCG.

⁶ The *Sagres Radler* concept group will be referred to as SRCG.

⁷ Quotes are presented in the following format: (“*quote*” age, group in which participated).

The SRCG felt that the “beer” word in the description present in the concept board could keep away some possible consumers that don’t like beer (*“Não sei se aquela parte que estava lá cerveja não irá afastar alguns consumidores.”* 22, SRCG), whereas its exclusion would be deceiving consumers (*“Também acho que pode afastar mas se não disser lá também está a enganar.”* 22, SRCG).

In both groups, *Sagres Radler* was perceived as being between categories: ciders and beer for ones, and beer and sodas for others (*“Eu acho que depende da pessoa, punha em cidra ou cerveja ou em refrigerante, porque pode substituir qualquer um deles.”* 22, SRCG). The taste of beer and alcohol and the sweet flavor of lemon are the reasons pointed.

Brand associations of *Sagres Radler* were different between the two groups. The UBCG associated it with extensive advertising, innovation, Summer, and “house *Sagres*” associations such as friends, Summer festivals, trust, Portuguese and socializing. The SRCG associated the brand with feminine, refreshing, for people that don’t like beer, and as part of the *Sagres* legacy: Portuguese, traditional and football related. So, overall, it is possible to understand that *Sagres Radler* has been able to assume its own positioning in the minds of the consumers, but still maintains a connection with the mother brand *Sagres*.

The target was not defined in the minds of neither the groups. Even though the SRCG acknowledges that *Sagres Radler* is more consumed by women and meant for people that don’t like beer (*“Porque as raparigas bebem mais talvez.”* 22, SRCG), the other group had no defined idea of a target (*“Acho que o target não é assim tão restrito como é a cerveja-cerveja, é um bocadinho mais alargado.”* 20, UBCG).

As further recommendation to the product’s promotion, in the SRCG, it was suggested that price was an obstacle to purchase. The perception was that the product’s price is much above the price of its proposed substitutes (*“o facto de eles venderem isto para ser consumido no mesmo contexto da cerveja e no entanto pagas o dobro.”* 22, SRCG). Also, this group suggested a change in the bottle if a change in positioning was made, in order to differentiate it (*“Se se mudasse a embalagem como estávamos a dizer por um lado ia afastar do sitio onde*

ela está porque é mesmo para isso para as pessoas que não gostam de cerveja mas é considerada cerveja.” 22, SRCG).

On the other hand, the UBCG mentioned sampling actions to get to know the product as a factor to influence decision and a way to promote the product (“*Primeiro dar a conhecer o produto*” 25, UBCG). This group identifies the brand *Desperados* as an example to consider for its promotion bringing together the occasion of consumption and the target (“*se bebes Desperados depois tens um desconto no táxi quando vais sair à noite, e assim também deviam fazer uma campanha desse género.*” 22, UBCG) and the parties promoted by this brand (“*a Desperados faz muitas festas, porque também não começar a fazer a festa da Radler?*” 25, UBCG).

A projective technique was used asking small groups of participants to draw the planetarium of beer market using celestial elements such as planets, moons, comets, suns and asteroids to represent brands. In this technique the overall perception of the beer market was having two center elements of the system: *Sagres* and *Super Bock*, which were either suns or planets. The systems were then divided into smaller portions: premium, foreign and cheaper brands, allocating beer brands according to preferences of consumption or market perception of participants. *Sagres Radler*, *Super Bock Green*, *Desperados* and *Somersby* had different positions. For one group *Sagres Radler* and *Super Bock* were the moons surrounding the mother brands. For another, they were all innovation comets going in the direction of the suns. For another, these brands were part of the ciders system rather than beer.

These focus groups had some limitations that may have conditioned results:

- Small network to research for possible participants that fit the specific filtering criteria;
- Very similar demographics of all participants, such as similar academic background and present activity making their daily patterns somewhat identical;
- Availability of participants was scarce, this stem from the small network and resemblance of professional activity of participants for whom this is a busy period;

- Lack of experience of the moderator.

In conclusion, *Sagres Radler* has been able to distance itself from the mother brand in terms of perceptions. However, there are still underlying brand associations to *Sagres*, leading us to believe that the beer association is quite present because of the brand. In fact, the unbranded product was much less perceived as a beer than *Sagres Radler*. Thus, looking at these insights it is possible to infer that the branding of *Sagres Radler* under the *Sagres* brand has negatively influenced the product's perception by the target consumers. In fact, after removing the brand the product has a completely different perception.

6. THINKING A SOLUTION

With the research, it was possible to conclude that the concept could better attract non-consumers if it wasn't under the influence of a powerful beer brand. So, a question arises: if branding the new product under the existent beer brand is not the optimal solution, what could be a better strategy? Considering the results of the product and the potential market, the insights gathered were used to create a new proposal for the marketing concept.

6.1. Branding

Sagres Radler is perceived as being between categories, whether it is between sodas and beers or beers and ciders, mostly because of its sweet flavor. Still, with the focus groups it became evident that the beer category is always present because of the brand. Given that the target doesn't like beer, associating it with beer may be the reason for not even trying it. Therefore the way to attract this specific audience may be to create a **new brand** that breaks with the *Sagres* heritage and instant beer connection. The new brand would follow a line brand strategy scheme, where the corporate brand – *Sagres* - would be hidden and the new commercial brand would be very strong. This would apply to all *Sagres Radler's* line of products (*0,0%*, *Limão*, *Lima-Gengibre*).

6.2. New Brand's Marketing Strategy

After looking at the findings from the survey, it is possible to understand that there is room to grow the beer market. The total market can be **segmented** into beer regular consumers, low frequency consumers and non-consumers, where NC and LFC represent half of the total market. Further, age and gender are also important factors to understand this market. Younger people have more consumption moments and men consume beer more frequently than women, being that most NC are women.

Using the segmentation variables depicted before, the most attractive segment will be the NC and LFC - people that don't consumer beer regularly. This is a uniform segment, constituted mostly by women, and represents a large portion of the market (54%). Given that these women point the bitter flavor as the main reason to not consuming beer, beers with lemon juice disguise the bitterness of beer and would be ideal to engage them. More, in order to foster trial, it would be important to address the younger women. Thus, the **target** for this product should be young women that are not regular beer consumers because they don't appreciate the flavor.

The new brand should position itself away from the beer category and create a new positioning. The proposed competitors should be the ones that compete in the same product class: refreshing drinks with fruit flavor – sodas.

Ergo, the new brand would be maintaining the sweet and refreshing flavor of lemon as a point of parity for its top competitors. However, it would have the presence alcohol as a point of difference, with its low alcohol concentration as the reason to believe.

According to the information drawn from the survey, and assuming *Coca-Cola* as the ideal soda representative, the **occasion of consumption** should be the end of the afternoon and beginning of the night. These were the scenarios where Coca-Cola achieved the highest scores and consumers pointed the refreshing feeling and sweet flavor as the main reason to choosing the beverage. Also, on the bar situation the presence of alcohol is considered a strong reason to choose a particular drink.

6.3. Marketing Mix – Further recommendations

By creating a new brand that would follow the positioning described above, there would be room to make deep changes in the product's concept.

Some people in the focus groups suggested that in case of a change in category, the **package** of the product should also be changed since it is linked with beer. After analyzing the packages of new competitors (sodas), the recommendation would be to make the bottle curvier and see through. For further differentiation and to cover the product's strange color, the glass bottle could present a color which is inexistent in the market - red, purple, blue.

In the focus groups, people suggested that the **price** was not set according to the consumption occasion of the product. With the new positioning, price should be set taking into account the price of competitors – sodas.

Regarding **promotion**, participants, who were only sure about purchase after sampling, defended that sampling is extremely important in this type of products. Also, they discussed the importance of a promotional campaign that directly connects the product with the occasion of consumption. The recommendation would then be to have sampling actions in the local and time of consumption, such as sun terrace in the end of the afternoon and bars at the beginning of the night. This would combine a unique version of promotional campaign with the sampling process. Further, it was also suggested to create exclusive events of the brand, at the time of consumption to foster usage.

6.4. Testing the concept

The suggested concept for the new brand was put together in a concept board to test its approval in the market (refer to Appendix 6 for the new concept board). This board was put to the test using an online survey (refer to Appendix 7 for the applied survey structure) in the search of statistically significant results. In order to take statistical conclusions, the continuous scaling technique was used. This allowed reducing the cognitive effort of matching statements with numbers.

To overcome inability to answer from the respondents, it was taken into consideration if respondents had enough information to respond to the questions (mostly in the groups of questions about the concept boards) and whether or not they could remember the time frame asked (in the question about frequency of consumption). On the other hand, to overcome unwillingness to answer, there was a concern to see if the effort required from respondents was not overwhelming in the first groups of questions. The survey was distributed using convenience sampling once again, as it is a fast method to get a significant sample and in this specific case it so happens that the convenient respondents are part of the product's target. Finally, the survey was subjected to pre-testing through personal interviews with a group of individuals that belonged to the target of the survey. During the pre-test with a scale from 1 to 10, it was discovered that respondents used 5 as the neutral point in the scale, when in fact it was biasing the results towards left. Due to this, the scales chosen in the survey were from 0 to 10 in order to include a neutral scale parameter: 5.

The survey had 244 valid responses, surpassing the 200 minimum target usually used in the market for concept tests. From the total, 63,3% were woman and 82% were between 20 and 29 years old. Regarding beer consumption, 34,8% were regular consumers, 43,1% were LFC and 22,1% were NC.

To test whether or not the new concept was better than *Sagres Radler*, a hypothesis test on the equality of population averages between the two products was conducted (a usual t-test). The test allows to assess if there is a statistically significant difference between the averages of the two concepts regarding the same attribute.

$$H_0: \bar{X} = \bar{Y} \leftrightarrow \bar{X} - \bar{Y} = 0 \leftrightarrow Z = 0$$

For each aspect measured in both concepts it was created a new variable (Z) with the difference between the two. So, if x_1, x_2, \dots, x_n were the observations for the “national” characteristic in the new concept, and y_1, y_2, \dots, y_n were the observations for the same attribute in *Sagres Radler*, the new variable (Z) would be $x_1 - y_1, x_2 - y_2, \dots, x_n - y_n$.

The test was then performed using Z:

$$Z = \frac{\bar{Z}-0}{\sigma_Z} \quad (\text{Equation 1})$$

For the hypothesis to be rejected, with 95% confidence interval, the value had to be higher than 1,96 or lower than -1,96, assuming a normal distribution. The tests were performed for the 18 attributes and the general classification given to the two concepts, using different demographics. The values for the test are presented in the following table:

Table 1. T-test results for the different attributes

	all	only 20-29 years old	only women	only women from 20-29 years old
enjoyable flavor	0,206	0,198	0,284	0,263
low alcohol content	0,156	0,219	0,222	0,256
national	-0,743	-0,726	-0,745	-0,746
night	-0,273	-0,268	-0,314	-0,309
natural	-0,020	-0,026	-0,017	0,031
young people	0,006	0,007	-0,015	-0,040
sweet	0,099	0,105	0,179	0,158
sun terrace	0,004	-0,032	0,066	0,008
hot	-0,015	-0,003	-0,046	-0,058
presence of gas	0,173	0,205	0,185	0,162
friends	-0,026	-0,047	-0,030	-0,063
feminine	0,054	0,043	0,118	0,078
fresh	0,285	0,316	0,227	0,228
innovative	-0,359	-0,346	-0,321	-0,337
quality	-0,357	-0,391	-0,398	-0,446
relaxing	-0,046	-0,069	0,037	-0,007
acidic	0,256	0,293	0,228	0,199
thirst	-0,041	-0,055	0,015	0,035
overall	-0,002	-0,033	0,031	-0,013

It is possible to see that in all the cases the rejection conditions were not met. Thus, there is no statistical evidence that there is a difference between the two concepts for any target.

However, an analysis to the averages of this sample for the Z variable unveils a positive tendency for women in crucial characteristics of the product (consult Appendix 8 for an explanatory table). Attributes as enjoyable flavor, low alcohol content, sweet, presence of

gas, and freshness were positive, while national, night, innovative, and quality were negative. The negative values are easily justifiable by the effect of the brand on the product, but the positive ones lead us to believe that the new concept may in fact be stronger for this sample. Further, respondents were asked to identify what the products were from soda, cider, beer, spirits or juice. The new concept was mostly recognized as being a soda (36,1%) and cider (34,4%). Still, 18,4% of respondents identified it as being a beer. *Sagres Radler* however was clearly recognized as being a beer (74,2%), and only 12,7% of respondents pointed it as being a cider and 9,8% as a soda. Therefore, it is possible to conclude that the concept succeed in breaking with the beer category association, by hiding the brand.

This research had some limitations that may have influenced results:

- Online method and convenience sampling, concentrated responses in a small group of people with similar characteristics that may bias results;
- Some people may have not answered according to instructions;
- Answers may not reflect the real ideas of people if confronted with the product on their day to day life;
- The concept's presentation may have not been clear for respondents, leading to very similar answers.

Summarizing, the way to overcome the branding issues of *Sagres Radler* is to create a new brand for this product. Targeting young women that are NC and LFC, the product could have different results. Although it wasn't possible to reject equal means for the general population, there are small indicators that the product is stronger in key aspects.

6.5. *Sagres Radler's* future

The introduction of a new brand to attract new consumers to the beer category doesn't mean the end of *Sagres Radler* in the market, given that it is already in the market and has been very successful even that it is not on the proposed target. *Sagres Radler* should be kept in the market in order to fulfill future changes in consumer needs, and have a product to compete

with other companies' launches. The target for *Sagres Radler* should be adjusted to regular beer consumers, especially men (according to the survey), and positioned as an alternative to regular beer. This way, the brand would continue to take advantage of mother brand's associations and would be increasing revenues, facing the market decrease. In this scenario, another fruit flavor should be explored for the new brand for non-consumers.

7. CONCLUSIONS

Sagres Radler was introduced in the beer market to engage consumers that don't like beer. Branded under a very strong brand in the market, it achieved 1,7% of market share in only one year. However, this huge growth was motivated by large promotional investments that won't be sustainable in the future. In a market where non-consumers are mostly women, *Sagres Radler* is being consumed by men who are regular beer consumers, failing its target.

After a qualitative research, it was possible to understand that the brand is influencing consumers' perceptions of the product. The brand is leading the consumer towards beer, when in fact the target doesn't like beer. With the insights of the focus groups, it was possible to elaborate a new strategy for the product to attract people that don't drink beer regularly. The product should distance itself from the powerful brand *Sagres*, breaking the link with the beer category. A positioning that could be compared to a soda would benefit the product. This was tested in an online survey, that didn't allow to statistically reject an equality of the two concepts.

Further steps to understand this subject, should be to make more research on the new concept. A new qualitative research with a larger sample could identify other possible improvements for the new brand. A different way to present the concept and a larger sample in a new quantitative study could draw different conclusions regarding the difference between concepts. Also, it would be interesting to understand if the gross margin of *Sagres Radler* product is higher than *Sagres* regular beer, in which case it would be beneficial to keep it in the market. The product would continue to attract men and cannibalizing *Sagres*.

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Refer to Appendix 9 for other references used.