

A Work Project, presented as part of the requirements for the award of a Master's Degree in Management from the NOVA School of Business and Economics

**HOW TO TURN PURA VIDA INTO A REFERENCE  
IN THE HEALTHY FOOD BUSINESS?**

**- INDIVIDUAL PART ON PRODUCT AND PLACE STRATEGIES -**

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## List of Abbreviations

FG	Focus Group
JM	Jerónimo Martins
PD	Pingo Doce
PL	Private Label
PV	Pura Vida
POS	Point of Sale
SKU	Stock Keeping Unit
GMROI	Gross Margin Return on Investment
RSP	Retail Selling Price

## Introduction

Theory states (Castaldo, Grosso & Premazzi, 2013) that there are four main moments in a retailer decision process: cognitive, strategic, operating and control.

- *Cognitive*. Requires the analysis of the environment, demand and competition. It is usually geographically limited, since it is restricted to the gravitational areas in which the company's stores are operating.
- *Strategic*. Requires fundamental segmentation decisions by demand, as well as the positioning of the retailer's offer. This phase basically identifies the market segments that the company should give priority to for its offer (the so-called target markets) and the positioning for target clients.
- *Operating*. These strategic-level choices then lead all the decisions towards the subsequent phase, as they are in turn translated into operating terms.
- *Control*. It is the final and critical step to confirm or revise the previous decisions of the marketing process.

The operational moment implies the translation of strategic choices in punctual decisions regarding services to offer in the store, the assortment, the communication mix and the price.

In order to make Pura Vida (PV) a reference in the healthy food business, it is very important to align the product strategy with the defined PV positioning, meaning that a strict and coherent product assortment has to be set accordingly (Castaldo et al, 2013). Likewise, an effective space management and premeditated location of products will contribute to a strong brand building process.

## Product Strategy

Retailers offer a combination of services and products, also called *assortment*, which is the central element of the retail offer. Indeed, it is one of the aspects that most affects the image profile and, therefore, positioning of the retailer (Castaldo et al., 2013).

A retailer, namely Pingo Doce (PD), can consider two main actions: either it increases the variety of the assortment (in order to satisfy a higher number of wide-ranging needs of the market) within the same store, or it increases each product variants (in order to be able to satisfy the different market needs). The decision in terms of assortment follows a hierarchical succession of choices, consisting in three steps (Castaldo et al., 2013)

- *First step.* Definition of which families and categories should be marketed within the store. This decision assumes strategic importance, since it dictates the type of offer with which the company presents itself to the market. In terms of assortment variety, it defines the frame in which any proposals for additional products will be considered.
- *Second step.* Choosing the brand structure. Thus, the definition of the assortment regarding what kind of brands to sell: brand leader, brand followers, premium brands, “top prices” and private labels (PL).
- *Third step.* Detailing choice of brands and items for each type of product within a category. This will determine the positioning of the store, as well as purchase policies and relationship with the suppliers.

Moreover, assortment choices are taken at two levels (Castaldo et al., 2013):

- *Central level.* Defines the assortment from analyzing the consumers’ behaviors and it is responsible for the majority of the choices at the country level.
- *Peripheral level.* Store and department managers, integrate the buyers’ assortment choices taking into account the items’ sales plus customers’ preferences in the store catchment area.

Regarding PD, assortment choices are done by its Category Management and Commercial Direction teams (always subject to the validation from the Executive Board members), considering several factors such as: satisfying consumer needs, keeping up with market trends, being innovative and “copying” the category leader<sup>1</sup>. The healthy food category is no exception, in the sense that it follows the same criteria.

The criteria adopted by retailers for introducing new products, is very relevant to all manufacturing companies that are marketing their own offer through indirect distribution channels (Castaldo et al., 2013). For this reason, PV has not only to make its own products available and accessible to consumers, but also guarantee that those are included in the assortment offered by PD.

Besides, product assortment choices, also called *product mix choices*, involve answering to several fundamental questions for instance: “How does a company decide what kind of products it will sell?”, “How does it decide how many product lines it will develop?” and “How many different items to offer within each line?”

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<sup>1</sup> Information provided by the Shelf Management Team, on the meeting on 30<sup>th</sup> March 2016

Essentially, for a company to offer a good assortment or to expand its business, it has to be consistent (regarding the existing relations between diverse product lines, product requirements, among others) and follow three key decision making:

- *The width* (also called *breadth*). Within a product mix, it refers to the number of different product lines the company carries out. The company can widen its product mix by adding new product lines.
- *The length*. It refers to the total number of items in the mix. The company can lengthen each product line.
- *The depth*. It means how many varieties offered from each product in the line (*product extensions*). The company can deepen its assortment by adding product variants.

Firstly, for PV to ensure consistency within its overall strategy, it has to clearly determine its idea of being healthy by defining its “brand concept”, namely “*All products that apply for at least one claim, or have the recommendation from the Portuguese Association of Dietitians*” (please check Appendix 3).

Secondly, it has to set up its assortment, by tapping into each of the three mentioned key decision making.

### **Product Mix Width [Decision 1]**

According to Dolan (2015), companies decide to expand the number of sub-categories (also called *product lines*) to achieve greater benefits. However, this decision can also derive from developing a new product that connects with the company’s existing products, on three possible ways: (i) undertaking a business whose profit stream will probably correlate negatively with the profit stream of the existing businesses (thereby reducing the overall risk of the company), (ii) leveraging a key-asset of the company that underlies the current product offerings, or (iii) tapping into complementary-in-use products and thus enabling the company to be a “total solution supplier”.

Regarding PV, its first assortment mix decision is to widen its sub-categories (please check Appendix 4). Thus, by leveraging PD’s key-assets (e.g. expertise in the food business) and tapping into complementary-in-use products, the brand will become closer to be a “total solution supplier” and fully serve its target (non-category users and category users) main wants and needs.

In order to access which sub-categories it should offer, a “Sub-Category Attractiveness Grid” was developed (detailed information on Appendix 5). Moreover, the grid results were combined with the relevant insights from the conducted Focus Groups (FGs) and survey (which were conducted by the team in the scope of the overall Marketing Business Plan for PV), in order to decide on which sub-categories to stay in (Appendix 1.1, 1.2, 2.1, 2.3, 6), to enter (Appendix 1.2, 2.1, 2.2, 2.4, 7), not to enter, and to go out of (Appendix 8). In a word, PV’s strategy is to have a total of 10 sub-categories (the detailed list can be found in Appendix 9).

However, PV must bear in mind that the correlation among product lines must be carefully analyzed, to ensure that positive relations are being leveraged and potential negative ones are avoided (e.g. raw materials exhaustion) (Dolan, 2015).

### **Product Line Length [Decision 2]**

The conducted research shows that the overall satisfaction with PV was positive, but it still needs improvement specifically in the product variety (Appendix 1.4). Mainly, the category manager wants “a profitable product with quality that brings something more to the assortment<sup>2</sup>”.

Thereby, once the product mix width is decided, the second major decision regards *product line length* (Kotler & Keller, 2016). Theory also says that, companies that seek high market share and market growth generally will have longer product lines; on the other hand, companies that seek high profitability will have shorter lines (with carefully chosen items). Yet, consumers are growing weary of dense product lines and overextended brands. Thus, company objectives must be clearly defined when it comes to length decisions. A company lengthens its product line in two ways (Kotler & Keller, 2016):

- *Line stretching*. When a company lengthens its product line beyond its current range, whether down-market (by introducing a product line with a lower price), upper-market (by introducing a product line with a higher price) or both ways (in both directions mentioned before).
- *Line filling*. When a company lengthens a product line by adding more items. Whenever it results in cannibalization or consumer confusion, it means that line

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<sup>2</sup> When negotiating with the supplier, some relevant issues the category manager considers are: price net, cost, RSP competitive, profitability margin and rotation of the product. Information provided by the Shelf Management Team, on the 30<sup>th</sup> March 2016 meeting

filling is overdone. The company needs to differentiate each item in the consumer's mind with a "just-noticeable difference". The proposed item should also meet a market need and not be added simply to satisfy an internal need (Kotler & Keller, 2016).

Consequently, PV's lengthen strategy is twofold: either to stretch its sub-categories upper-market, to gain higher growth rates and higher margins (e.g. ready healthy meals) and down-market, to take advantage of the growth opportunities within the market (e.g. lactose-free); or to fill its sub-categories to reach incremental profits and try to become the leading brand within the category. Yet, it is important not to consider the possibility of drawbacks (e.g. costs rise for design or inventory carrying).

Summing up, after deciding on the sub-categories, PV's strategy is to launch a total of 60 new products, 26 products from the new sub-categories, and 34 products from the existing sub-categories (the detailed list can be found in Appendix 10)

### **Product Line Depth [Decision 3]**

Management has to set the actual specifications for the items it will develop and sell within each product line. Product line managers need to identify each line's profile and image and their position against competitor's lines, and the sales and profits of each item within the line (all companies have products with distinct margins<sup>3</sup>) (Dolan, 2015). PV's new products need to be capable of being economically made (taking advantage of PD's production capacity) and have to attract targeted consumers (both non-category and category users). In order to approach attractiveness, it is necessary to look into the *packaging*. This includes all the activities of designing and producing the container for a product (Kotler & Keller, 2016). This element is important because it is the buyer's first encounter with the product, and, if good, it can draw the consumer in and encourage product choice (acting as a "five-second commercial" for the product). Packaging must achieve a number of objectives: identify the brand; convey descriptive and persuasive information; easy product transportation and protection; assist at-home storage and aid product consumption (Kotler & Keller, 2016). In order to do so and satisfy consumers' desires, structural design is crucial. That is why packaging elements

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<sup>3</sup> For example, supermarkets make almost no margin on bread and milk, reasonable margins on canned and frozen goods, and better margins on flower, ethnic food lines, and freshly baked goods (Kotler & Keller, 2016)

such as label, logo and aesthetics (package's sizes, shape, material, color<sup>4</sup>, text and graphics) must be in line with each other and with the brand concept. Moreover, the use of packaging as a marketing tool has been growing, due to (Kotler & Keller, 2016):

- *Self-service*. A well-executed package has several tasks (given that 50% to 70% of all purchases are made in the store): attract attention, describe the product's features, create consumer confidence and make a favorable overall impression.
- *Consumer affluence*. Consumers are willing to pay a little more for the convenience, appearance, dependability, and prestige of better packages.
- *Company and brand image*. Packages contribute to instant recognition of the company or brand in the store; they can create a billboard effect.
- *Innovation opportunity*. Unique or innovative packaging can bring big benefits to consumers and profits to producers.

Conducted research (FGs) showed that, in general, the packaging influences and drives the purchase decision of participants. However, the overall PV packaging was not considered to have good quality nor appealing (Appendix 2.10, 20.11). Thus, PV's main strategy is to have a simple and plain package, with see-through areas (whenever possible, allowing the consumers to see the product), together with some differentiating elements (e.g. features, performance quality) to stand out from competition. The brand elements used must be consistent within all the sub-categories products packaging, namely, PV logo has to stand out and to be placed in the same size and color in all the products. The name of the product should be detached from the logo (normally on the right side) and placed on the left side of the package, in order to consumers clearly identify the product itself. Besides, there will be easy-to-understand colored benefit-claims (eight in total: gluten-free, sugar-free, salt-free, lactose-free, wholegrain, organic/bio, sports nutrition and high fiber), to provide the consumer some sort of guidance regarding product specificities. Moreover conducted research (FGs) showed that it is difficult to find healthy recipes (Appendix 2.5, 2.6, 2.7) hence, PV package will have a help-box, either with a suggestion for a recipe using that product, or with a suggestion of other products combination (from PV or from PD assortment). At last, PV should establish partnerships with associations, including Portuguese Association of Nutritionists, Organic Association and Portuguese Association of Dietitians (Appendix

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<sup>4</sup> Color is a particularly important aspect of packaging and carries different meanings and interpretations depending on cultures and market segments (Kotler & Keller, 2016) (Appendix 11).

12), to increase product credibility and to achieve a trustworthy position in the category. In Appendix 13 can be found several store elements examples.

Hereupon, after deciding on product mix width, length and depth, PV's overall plan for the scope of three years is the following (see Appendix 14):

- Year 1. PV will launch 4 new sub-categories (total of 26 new products), plus the ten new gluten-free products in January 2017, to provide the consumer with all different kinds of product types.
- Year 2. In January 2018 PV will launch 24 products to provide more variety (most options to choose from) to the consumer, within all sub-categories.
- Year 3. Finally, in 2019, PV will continue to increase its assortment mix, in the sense that either more sub-categories or products should be added. The new products, added since year 1, must be monitored and evaluated considering their performance throughout the years (e.g. tracking performance).

### Place Strategy

As Levy & Weitz (2014) say, the environment in a store, the design of the store, and the presentation and location of merchandise in the store has significant impact on the way customers shop. Specifically, store design attracts customers to the store, increases the time they spend in the store, and increases the amount of merchandise they purchase. Store design is also a reflection of the customer loyalty towards the retailer, by providing rewarding shopping experiences that encourage repeated visits, and enhance its brand image.

PD's strategy is to always offer the same store experience regardless of any external factors (such as geographic location), with fresh products having a prominent role within the store display<sup>5</sup>. Then, since PV is a retailer brand, it must fit PD's strategy, contributing for consumers not to feel significant differences when changing from store to store. Moreover, conducted research (FGs) showed that people still do not know where to find PV's products (Appendix 1.3), which indicates that PV has big challenges regarding its store presence. In general, there are three types of PD stores, measured by a range of P1 to P5 (depending on the number of SKU's<sup>6</sup>). Overall, for PV to stand out as an absolute brand within its category, it must be present in all the stores as it follows:

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<sup>5</sup> Information provided by the Shelf Management Team, on 30<sup>th</sup> March 2016 meeting

<sup>6</sup> Information provided by the Shelf Management Team, on 30<sup>th</sup> March 2016 meeting

- *Big Stores* (P5). Classified as hypermarkets, should maintain their “universe” of healthy food (such as in Telheiras flagship store), normally near the entrance. PV entire assortment will be displayed, including all ten new sub-categories, the 60 new added products and the already existing products that will be kept.
- *Medium Stores* (P3, P4). Also known as supermarkets, should have a “healthy area” section, also located near the entrance. PV assortment is more limited due to space restrictions. Thus, the ten sub-categories would be sold, ranging between 40 and 50 of the new added products (preferable the most profitable ones) and the already existing products that will be kept, adjusted to the size of the store.
- *Small Stores* (P1, P2). These, also known as supermarkets, should be (re)organized: number of modules should be increased as well as widened (from 7 to 5 shelves). Thus, ten PV sub-categories should be present, and a range between 20 and 30 of the new added products, and the already existing products that will be kept, adjusted to the size of the store.

### Store Design Elements

Retailers use three types of store layout design, each one having its advantages and disadvantages, namely: grid, racetrack and free form layout (Levy & Weitz, 2014).

The *grid layout* is the most used by supermarkets, including PD, because it is cost-efficient (less space is occupied) and the design enables customers to easily find the product they are looking for, thus minimizing the time spent on a shopping task that most don't enjoy. Still, disadvantages are that customers are not exposed to all the products in the store, and the layout does not encourage unplanned purchases. In addition to the store layout, there are other store design elements which can be used, such as *graphics* (photo panels used to induce moods that encourage customers to buy products), *signage* (frequently icons rather than words, used to help customers locate specific products and departments, to provide product information, and to suggest items or special purchases) and *feature areas* (specific sections within the store, used to guide customers).

PV recommended solution is, firstly, to use several types of signage in order to help customers locating the healthy food area and PV products (Appendix 15). These are specified into:

- *Category signage*. Used within a particular department or sector of the store to identify types of products offered. However, due to the complexity of the healthy

food category, PV recommended solution is to also identify sub-categories (by using respective names and, when possible, the claims colors and symbols associated to them).

- *Promotional signage.* Used to describe offers and promotions within the store, and can even be displayed in windows to induce the customer in entering the store. PV will take advantage of PD promotion signage, and it will be placed in all stores (both in non-digital and on digital format).
- *Point-of-sale signage.* Signs placed near the products they refer to, so that customers know its price and other detailed information. PV will have the advantage of placing its logo, to stand out from competition and to amplify its affordability benefit.
- *Digital signage.* Signs whose visual content is delivered electronically through a centrally managed and controlled network, distributed to servers in stores, and displayed on flat-panel screens. PV will have digital signage mainly in big stores, using the flat-screen (with content related to PV products, promotions and the new PV app) and using the add on (with a QR code that links consumers to PV's website).

Secondly, PV products will be placed in feature areas, to guide and influence customers' buying behavior. These can be referring to:

- *Entrance.* The first impression caused by the entry area affects the customer's image of the store. The healthy area is a good way to attract customers, and so it should be placed near the entrance, including PV assortment.
- *Freestanding displays.* Displays located on aisles, designed to attract customers' attention and bring them into a specific department. PV already does it (e.g. Telheiras flagship store), and the strategy is to include those displays on different corridors, to be able to cross-sell (mostly in big stores due to space restrictions).
- *Cash wraps (Checkout Areas).* Supermarket retailers, namely PD, often use them to display impulse purchase items (e.g. batteries, candies, gums and magazines). Nevertheless, PV can also include some of its products (e.g. healthy snack bars) to promote the brand itself.

### **Store Space Management**

The space within stores and on the stores' shelves is a scarce resource. Space management involves two main key decisions: defining merchandise allocation measures and deciding location of merchandise categories (Levy & Weitz, 2014).

Firstly, to allocate several categories retailers, namely PD, use the one very common measure, called gross margin return on investment (GMROI) (Levy & Weitz, 2014). This evaluation ratio measures the firm's ability to turn inventory into cash above the cost of the inventory. PV, as a retailer brand, has to take into account that retailers are always trying to keep customer's attention on the products with highest GMROI. Thus, the recommendation is that PV uses the following measures to allocate products:

- *Inventory turnover.* PV products with high inventory turnover deserve more space than products with lower inventory turnover; and fast-selling products deserve more space to minimize the need to restock the shelf frequently and reduce stockouts.
- *Margin.* PV products with high margins deserve more space, contributing to overall brand and PD's strategy.
- *Sales.* PV products with high sales (in value) will be given more space, to increase efficiency throughout all stores.

Secondly, space management also involves key decisions regarding shelf space management (Levy & Weitz, 2014). Retailers, namely PD, have several ways to deal with scarcity, including the use of *planograms*. Essentially it is a diagram that shows the placement of all SKUs within shelves (Levy & Weitz, 2014). Moreover, within the linear, PV will be placed first, followed by the brand leader and then other brands (since western read from left to the right and so they can compare retailer selling prices among brands and choose PV since it is *the* affordable brand).

Besides, PV will incur in "overallocating" space to some low-profitability categories (e.g. milk, which is one of PV's top ten best sellers) to emphasize the brand's image and to contribute to PD's strategy of attracting customers to the store. In addition, in year two and three, "overallocation" will also apply to other frequently purchased sub-categories bought by premium customers (which are customers that buy a lot of PV products) with the help of data obtained through the *Poupa Mais* loyalty card.

Furthermore, conducted research (FGs) showed that it is better to have all healthy products within a specific area (Appendix 2.8, 2.9). Thus, PV products will be located mostly in the healthy food area, in order to facilitate purchase behavior towards the category. Nevertheless, there could be exceptions either on *impulse merchandise* (products purchased without planning) or with *sub-category adjacencies* (using complementary sub-categories next to each other, by cross-selling).

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## Appendices

### Appendix 1 – Extracts of Relevant Insights from the Conducted Survey

\*Note: The following extract tables report results on the online survey conducted by the students team within the overall Marketing Business Plan for PV; Convenience sample of n=376 respondents. For further and detailed information on this research please check the group complete report.

#### 1.1

5. When you buy healthy food products, what type of products do you usually buy? You can choose more than one option (multiple choice).

#	Answer	Bar	Response	%
1	"Free-from" products (gluten-free, lactose-free, salt-free, sugar-free)		155	41%
2	Whole food (unprocessed food, e.g. wholegrain rice, ...)		212	56%
4	Supplements (magnesium, omega 3, ...)		42	11%
6	Bio/Organic products		102	27%
7	Teas and infusions		180	48%
9	Soy products		59	16%
10	Tofu products		23	6%
11	Herbs, spices and sauces		88	23%
12	Cholesterol products		13	3%
13	Ready-meals for oven/microwave (eg. vegetarian, low-calories, low-fat low-carbs)		17	5%
16	Others		26	7%
17	Seeds (Chia seeds, flax seeds, sunflower seeds, ...)		215	57%
18	Low-carbs products (low-carb bread, low-carb pasta, alternative flour like almond flour)		94	25%
19	High-fiber products (high-fiber biscuits, high-fiber breads, ...)		114	30%
20	Probiotic dairy (probiotic yoghurt/yoghurt drinks, ...)		45	12%
21	Healthy snacks (protein bars, vegetarian chips,...)		129	34%
22	Healthy beverages (natural waters, superfruit drinks, detox juices, ...)		45	12%
32	Sports nutrition		32	9%

\*Note: Most consumed products from PV (reduced sample to n=169, corresponding to 45% of the participants) were seeds, free-from products, wholefood products, teas and infusions, as well as healthy snacks.

#### 1.2

9. Within the healthy food products offer you find in supermarkets, what categories do you think there is a lack of products (not enough choice of products)? You can choose more than one option (multiple choice).

#	Answer	Bar	Response	%
1	"Free-from" products (gluten-free, lactose-free, salt-free, sugar-free)		86	23%
2	Whole food (unprocessed food, e.g. wholegrain rice, ...)		66	18%
4	Supplements (magnesium, omega 3, ...)		56	15%
6	Bio/Organic products		103	27%
7	Teas and infusions		14	4%
10	Soy products		41	11%
11	Tofu products		58	15%
12	Herbs, spices and sauces		34	9%
13	Cholesterol products		34	9%
14	Ready-meals for oven/microwave (eg. vegetarian, low-calories, low-fat low-carbs)		126	34%
16	Others		20	5%
17	Seeds (Chia seeds, flax seeds, sunflower seeds, ...)		46	12%
18	Nothing is missing		51	14%
19	Low carb products (low-carb bread, low-carb pasta, alternative flour like almond flour, ...)		126	34%
20	High-fiber products (high-fiber biscuits, high-fiber bread, ...)		31	8%
21	Healthy snacks (protein bars, vegetarian chips,...)		67	18%
22	Probiotic dairy (probiotic yoghurt/yoghurt drinks, ...)		47	13%
35	Healthy beverages (natural waters, superfruit drinks, detox juices, drinks with a high ph-value, ...)		45	12%
46	Sports nutrition		72	19%

\*Note: The sub-categories respondents think there is a lack of product offer that are mainly ready-meals, bio/organic, low carb products, free-from and sports nutrition

### 1.3

#### 15. Where can you buy products from Pura Vida?

#	Answer	Bar	Response	%
1	Continente		26	7%
2	Pingo Doce		208	55%
3	Mini Preço		0	0%
4	Lidl		0	0%
5	Intermarché		1	0%
6	Jumbo/Pão de Açúcar		10	3%
7	Any supermarket		22	6%
8	I don't know		109	29%
	Total		376	

\*Note: Exactly 29% of the respondents did not recall in which supermarket PV was sold, and about 10% mentioned other supermarkets, such as Continente or Jumbo.

### 1.4

#### 17. How satisfied are you with Pura Vida products? 1 - Very dissatisfied, 7 - Very satisfied

#	Question	Very dissatisfied					Very satisfied	Total Responses	Mean	
1	Overall	1	1	6	37	47	51	26	169	5.28
2	Price	0	8	21	47	41	38	14	169	4.72
3	Quality	0	1	11	36	40	53	28	169	5.28
4	Packaging	3	8	12	46	43	38	19	169	4.82
5	Product variety	1	9	31	54	47	21	6	169	4.33
6	Availability in store	1	3	21	48	40	45	11	169	4.79

Statistic	Overall	Price	Quality	Packaging	Product variety	Availability in store
Min Value	1	2	2	1	1	1
Max Value	7	7	7	7	7	7
Mean	5.28	4.72	5.28	4.82	4.33	4.79
Variance	1.36	1.69	1.43	1.92	1.45	1.53
Standard Deviation	1.16	1.30	1.20	1.39	1.20	1.24
Total Responses	169	169	169	169	169	169

\*Note: Although overall product/brand satisfaction is positive, PV's product variety has the lowest mean values.

## Appendix 2 – Extracts from Focus Groups Main Insights

\*Note: The mentioned extract tables are related to the focus groups, which were conducted by the students team within the scope of the overall Marketing Business Plan for PV; Convenience sample of n=30 participants in total, which were divided in four focus groups. For further and detailed information on this research please check the group complete report.

- 2.1 “Participants believe that a healthy product should have high quality, freshness, be as less processed as possible, and possess a low content of sugar”.
- 2.2 “Healthy means different things for different people. For one participant healthy was mainly eating non-processed food (...)”.
- 2.3 “The main problem for healthy eating habits is snacks, as for example chocolates, since they contain a lot of sugar and other harmful ingredients. Still, these are the products that are the easiest to buy”.
- 2.4 “Some of them also mentioned the fact that they were young, with lots of work, and with their busy lives it was very difficult for them to maintain an healthy diet because of the scarce offer (...) also in the supermarket. There is no time to cook and prepare healthy things”.
- 2.5 “It is difficult to have an healthy diet for the whole family, as well as having access to healthy recipes for the whole family.”
- 2.6 “If people do not know recipes, it is hard to use healthy products and maintain an healthy lifestyle”.
- 2.7 “One of the participants look for suggestions on how to use the products”.
- 2.8 “When having all the products together, they are able to try on new products. When the supermarkets have all the products in the same area, it is easier for the participants to find new products”.
- 2.9 “The products should be concentrated in one area. The products should be more visible to the consumers that looks out for it”.
- 2.10 “Most of them said that fresh products “good-looking” and “tasty-looking” products are the best way to get the attention of the target”.
- 2.11 “They think that the packaging should be simple and the product should be visible. Some products should have detailed information, like granola or quinoa”.

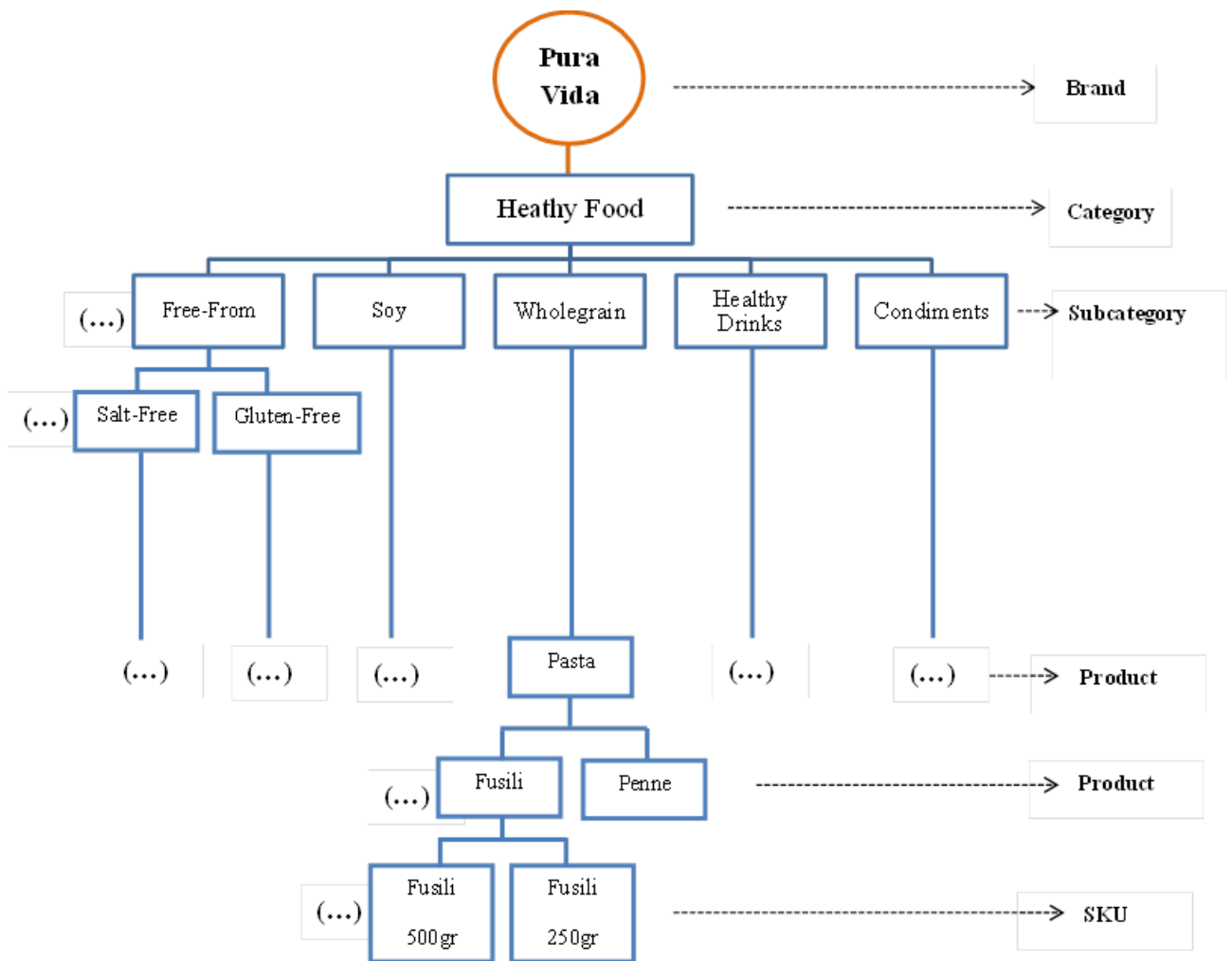
### **Appendix 3 – Pura Vida Concept**

PV’s product strategy is to have a wide product offer, according to several health needs such as disease, dietetic, nutritional or lifestyle or even according to consumer personal preferences. In order to do that and to facilitate the consumer’s choice, PV products are segmented with colored claims. There are eight claims in total: sugar-free, lactose-free, gluten-free, salt-free, wholegrain, bio, sports nutrition and high fiber (but more could be added in the future whenever it makes sense).

Since there are some PV sub-categories with no claims (such as healthy snacks, healthy drinks, seeds, herbs and condiments) those must have a recommendation from the Portuguese Association of Dietitians in order to be part of PV's assortment.

It is also important to mention that with this new definition of a PV concept, some PD products should be revalued and, if it makes sense, placed within the healthy food category (e.g. sugar-free jam and wholegrain cookies).

#### Appendix 4 – Pura Vida's Assortment Division



\*Note: This is not a complete representation of PV's assortment division

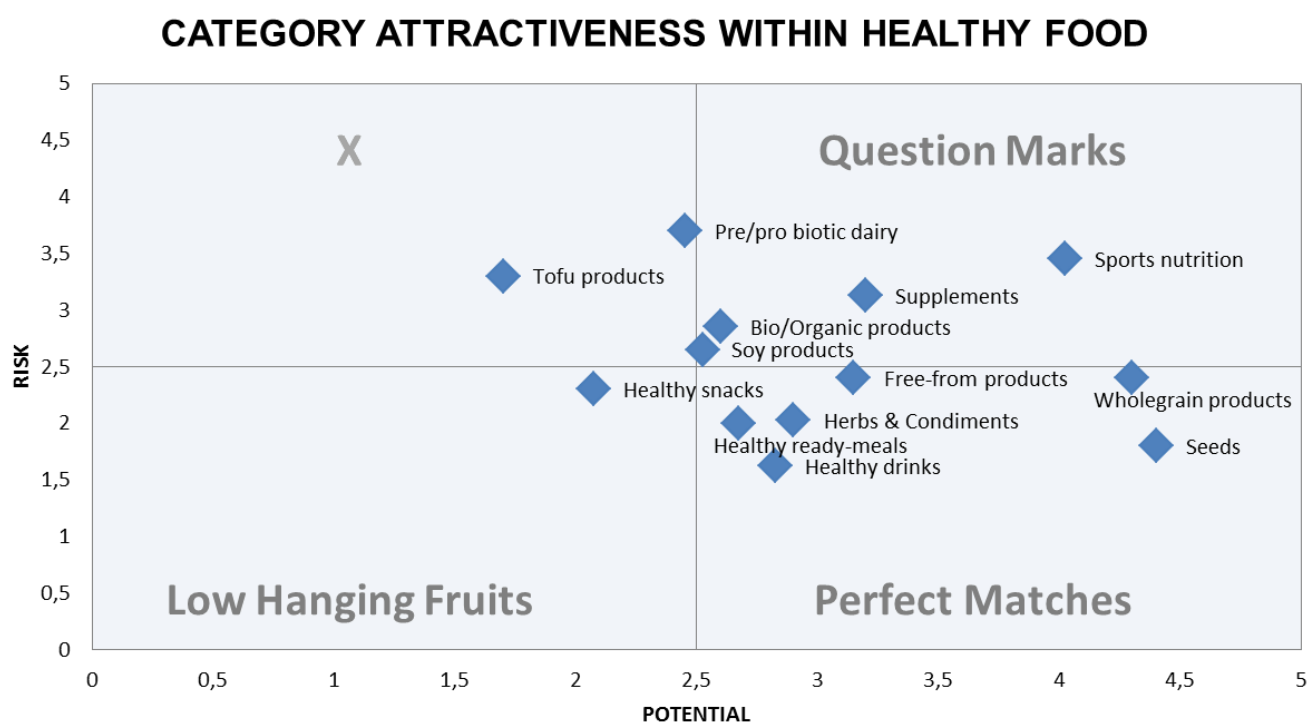
#### Appendix 5 – Sub-category Attractiveness Grid

Thirteen sub-categories were evaluated in terms of potentials and risks in the future in order to analyze if they are worth keeping or entering the market loop. Three kinds of potentials and risks, respectively, are assessed for each subcategory on a scale from 1 to 5 on a rather qualitative but also quantitative (whenever possible) basis. Furthermore,

on each of the potentials and risks is given a certain weight to be able to place the sub-categories in a two axis grid.

The potentials and their weights are “market trends” (40%), “profitability in terms of margin” (35%) and “(potential) variety” (25%). Additionally, the risks and their weights are “number of dominant players” (35%), “level of consumer education in regarding the subcategory” (45%) and “investment needed to be present in the subcategory” (20%).

The following grid is the result:



#### Appendix 6 – Pura Vida Soy Dairy Results (2015)

Soy Products	Sales Quantity	Sales Value (€)	Margin
- Soy milk 1L	2,276,083	1,602,769.55	27%
- Soy milk light 1L	846,283	776,933.03	41%
- Soy milk 200 ml	494,622	204,636.49	54%
- Soy milk cacao 200ml	565,950	232,419.47	46%
- Soy milk cacao 1L	317,085	261,495.39	28%
- Soy cooking cream 200 ml	622,441	468,299.02	27%
- Soy yoghurt peach 4x12	114,251	158,508.59	29%
- Soy yoghurt strawberry 4x12	115,994	160,975.56	30%
- Soy drinking yoghurt exotic fruits 200ml	266,156	244,769.16	39%
- Soy drinking yoghurt fruits and cereals 200ml	167,042	153,494.74	39%

\*Note: These performance figures, when compared with other PV products were very high. Sales evolution vs. 2014 sales were very high and positive.

Source: Jerónimo Martins (2016c). 2015\_Dados\_Fecho\_Pura\_Vida (company data).

Retrieved 2016, February 17 from Jerónimo Martins.

### Appendix 7 – Note on Supplements & Sports Nutrition

Cem porcento has the most complete range of supplements & sports nutrition. It has 21 kinds of supplements: weight loss, digestive, laxative, liver and gallbladder, circulatory system, cholesterol, diabetes, brain and memory, bones and joints, multivitamins, sexual stimulants, immune system, cell regenerator, uric acid and gout, special man, special woman, antioxidants, iron, hair, skin and nails and superfoods - within each it offers several different products.

Salutem is also growing this sub-category of healthy food and it has 48 supplements.

### Appendix 8 – Products to abolish from the assortment

Sub-categories	Products	Results (from 2015)
<b>Tofu Products</b>	- Tofu & mushrooms hamburguer - Tofu	- Sales evolution from 2014 decreased 37% - Sales evolution from 2014 decreased 35%
<b>Special Needs Products</b>	- Yoghurt natural w/sugar for cholesterol - Yoghurt strawberry w/sugar for cholesterol	- Sales evolution from 2014 decreased 14% - No sales evolution from 2014
<b>Frozen Ready-Meals</b>	- Fish w/ vegetables - Fish soufflé - Chicken with fusili & vegetables - Vegetables lasaña w/ no cheese - Soy samosas - Vegetarian small pies - Vegetarian rissols - Tofu & palmetto pastel	- - - Low turnover 0.1 - Sales evolution from 2014 decreased 29% - Low turnover 0.2 - - - Low turnover 0.2
<b>Others</b>	- Vegetal pate w/ mushrooms - Vegetal pate w/ green pepper - Provençal hamburguer - Oriental hamgurguer - Fructose - Yeast	- - - - - Sales evolution from 2014 decreased 12% - Low rotation: 0.2

**Comparable values:**

PV average margin: 34%

PV average Turnover/Day/Store: 1,368693

PV maximum turnover: 15.9 (soy dairy 1L)

PV minimum turnover: 0.1

PV Maximum sales units: 2 276 083 (soy dairy 1L)

PV Minimum sales units: 1 516

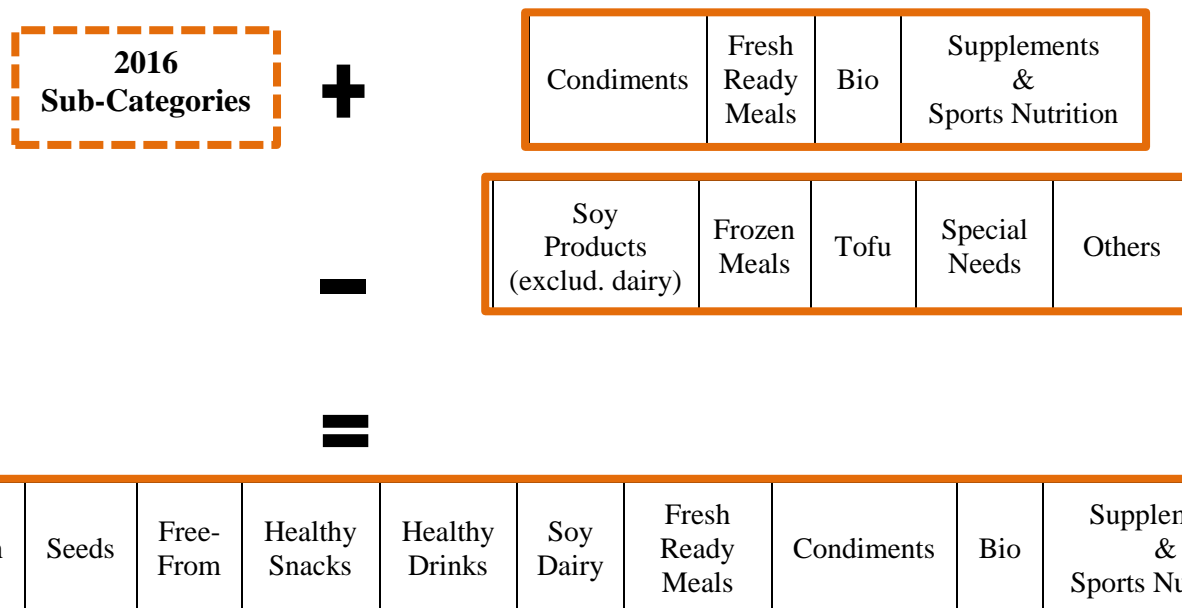
Source: Jerónimo Martins (2016c). 2015\_Dados\_Fecho\_Pura\_Vida (company data). Retrieved 2016, February 17 from Jerónimo Martins.

**Appendix 9 – Pura Vida Sub-Categories**

- Current PV sub-categories by 2016 (with some products examples)

Wholegrain	Seeds	Free-From	Healthy Snacks	Healthy Drinks	Soy Products	Frozen Meals	Tofu	Special needs	Others
		<p>Gluten-free</p> <p>Sugar-free</p> <p>Lactose-free</p>							

- Recommended PV sub-categories by 2019



\*Note: This is a representation of PV's product strategy between 2017 and 2019, focusing on the sub-categories changes.

### Appendix 10 – Pura Vida's New Products

- New products from new sub-categories

Condiments	Fresh Ready Meals	Bio/Organic	Supplements & Sports Nutrition	
			Supplements	Sports
Fig vinegar 250gr	Smoked salmon salad	Olive oil 500ml	Magnesium 10units	Protein bars (pre sports)
Cider vinegar 250gr	Chicken avocado salad	Yoghurt	Vitamin C Chitosan 60 caps	Protein bars (after sports)
Mixed herbs 10gr	Quinoa salad	Yoghurt w/ cereals	CLA 45caps	
	Gluten free wrap w/ shrimps & coriander	Muesli 500gr	Oil from cod fish liver	
	Gluten free wrap w/avocado & toasted pine nuts	Tea 10units	Multivitamins	
	Detox juice kit 3-days		Aloe Vera 500ml	
	Wok vegetables kit			
	Salmon filets w/eggs & vegetables			
	Fish w/ spinach & sweet potatoes			
	Carrot & ginger soup			

- New products of existing sub-categories

Wholegrain	Seeds	Gluten-Free	Healthy Snacks	Healthy Drinks
Pasta Pene 550gr	Pumpkin small seeds 200gr	Jelly 170gr	Chocolate cookies gluten-free 200gr	Flavored PH water acai 330ml
Pasta Fusili 500gr	Poppy seeds 200gr	Cooking chocolate 200gr	Coconut cookies gluten-free 200gr	Flavored PH water ginger 330ml
Quinoa 250gr	Mixed salad seeds 200gr	Dark chocolate 100gr	Rice cakes orange 130gr	Flavored PH water lemon&mint 330ml
Muesli 375gr	Mixed breakfast seeds 200gr	Hamburguer buns 180gr	Rice cakes yoghurt 130gr	Flavored PH water cucumber 330ml
Granola 375gr		Corn bread 310gr	Rice cakes w/sunflower seeds 130gr	
		Bread flour 1kg	Cereal bar dark chocolate 6x20gr	
		Croissants 150gr	Cereal bar chocolate & orange 6x20gr	
		Breadcrumbs 150gr	Cereal bar wholegrain w/red fruits 6x20gr	
		Pizza dough 150gr	Cereal bar w/ apple 6x20gr	
		Madalena's 176gr	Crocant bar sesame & honey 6x20gr	
			Wholegrain toast croakers sesame 250gr	

### Appendix 11 - The Color Wheel of Branding and Packaging

Color	Meaning
<b>Red</b>	Symbolizes excitement, energy, passion, courage and being bold
<b>Orange</b>	Connotes friendliness and fun, it combines energy and warmth
<b>Yellow</b>	Is equated with warmth, joy and happiness
<b>Green</b>	Connotes health, growth, freshness and renewal
<b>Blue</b>	Associated with dependability, trust, competence and integrity
<b>Purple</b>	Symbolized nobility, wealth, and wisdom. Combines stability and energy
<b>Pink</b>	Is considered to have soft, peaceful, comforting qualities
<b>Brown</b>	Connotes honesty and dependability
<b>Black</b>	Is seen as classic, strong and balanced
<b>White</b>	Connotes purity, innocence, and cleanliness

Source: Kotler, P. & Keller, L. (2016). *Marketing Management* (15th ed., Global ed.). Harlow, England: Pearson Education Limited.

## Appendix 12 – Note on Partnership

APD is not accepting partnerships at the moment, due to a restructuration process; PV could start by sponsoring Movimento 2020, which aims at contributing to the improvement of the Portuguese lifestyle.

For more information: <http://www.movimento2020.org/os-desafios/descubra-os-desafios-2020>

## Appendix 13 – Package Elements Examples

\*Note: It is important to mention that the following examples are not done by professional designers, just visual layout examples as a recommendation for PV packaging elements.

- Suggestions for Logo



- Suggestions for Product name

**PASTEL DE NATA**

- Suggestions for Benefit Claims



- Stamps

- Portuguese Association of Celiac



- Portuguese Association of Nutritionists (APN)



- Organic Association



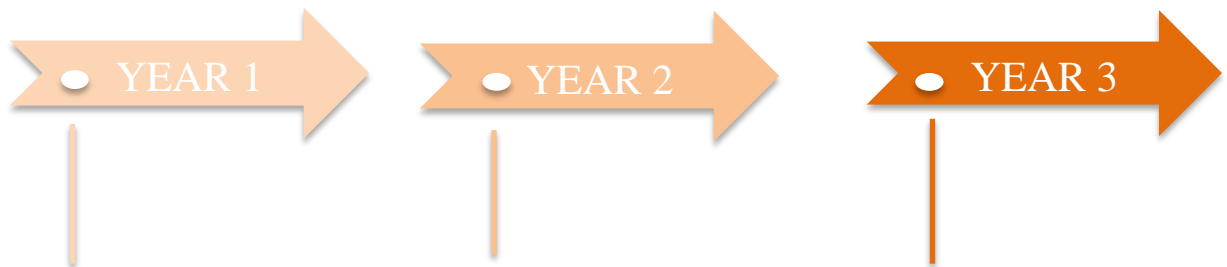
- Portuguese Association of Dietitians (APD)



- Movimento 2020



### Appendix 14 – Pura Vida Plan



**January 2017**

→ +36 products

- Launch 4 new sub-categories

(total of 26 products)

- Launch 10 new gluten-free products

**January 2018**

→ +24 products

- Launch 24 products

**January 2019**

→ +sub-categories\*

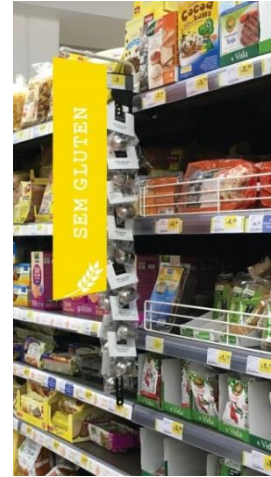
→ +products\*

\*Defined in year 2 according to trends and needs)

## Appendix 15 – Store Design Elements Examples

\*Note: It is important to mention that the following examples are not done by professional designers, but represent practical examples for recommended PV store design elements.

- Category Signage



- Promotional Signage



- POS Signage



- Digital Signage



- Freestanding Displays

