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.

# Consumer Perceptions and Preferences for Hard Seltzers in Portugal: A Comparative Study with Beer, Wine, and Cider

**-**

***Identifying prevailing consumer perceptions by using factor analysis and perceptual mapping***

Oliver Potgeter – 49406

Work project carried out under the supervision of:

Daniela Schmitt

17/05/2023

**Abstract**

Hard Seltzers, a low-caloric beverage made from sparkling water and alcohol, has gained popularity across the United States, and is now expanding globally. In Portugal, the beverage has recently entered the market making it relevant to study this segment. This research aims to understand the perceptions, and preferences of Portuguese young adults towards this beverage, while conducting comparative analysis with wine, beer, and cider. It is possible to conclude that Hard Seltzers are perceived as the healthiest beverages among its comparables, while consumers value its flavour, sweetness, and calories and prefer a product with 65 kcal, Mango-&-Maracuja flavour and low-sweetness.

**Keywords:** Market Research, Consumer Insights, Ready-to-drink Alcoholic Beverages, Hard Seltzers, Portugal, Conjoint Analysis, Perceptual Map

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

# 1. Introduction

## 1.1. Context

In recent years, the global beverage industry has witnessed a significant shift in consumer preferences and behaviours, particularly in the realm of alcoholic beverages. With a growing emphasis on health-conscious choices and low-calorie options, one category has captured the attention of both industry insiders and consumers alike: Hard Seltzer (PennState Extension 2022). Originating in the United States, Hard Seltzer has rapidly gained popularity worldwide, carving out its niche in the market as a refreshing, low-alcohol, and low-calorie alternative to traditional alcoholic beverages.

Portugal, known for its rich cultural heritage, culinary delights, and vibrant drinking culture, has not been immune to this global phenomenon. The Portuguese market, traditionally dominated by wine, beer, and spirits (Statista 2023), has recently seen the emergence of Hard Seltzers as a novel and intriguing offering. This newfound interest in Hard Seltzer opens up a realm of opportunities and challenges for both local and international beverage producers seeking to tap into this market segment.

Although still a young category, predictions show a significant growth rate for the Hard Seltzer segment in the upcoming years, which on the one hand indicates emerging possibilities for companies participating in the trend but on the other hand could have a strong impact on other alcoholic beverages, especially when it comes to younger consumers. Shifts in preferences were for example already identified in the US American market where particularly young consumers reduced their spending on beer and wine (NielsenIQ 2020). In a country where wine and beer are predominantly consumed, these shifts should be anticipated early on. However, it must be mentioned that wine is deeply rooted in the Portuguese culture, and it needs to be observed if Hard Seltzer will have similar effects in consideration of this circumstance.

Through the utilization of both qualitative and quantitative research methods, including surveys, interviews, and market analysis, this study intends to contribute to the existing body of knowledge on the subject matter. Furthermore, the findings of this research will serve as a valuable resource for beverage companies, policymakers, and entrepreneurs looking to navigate the evolving landscape of the Portuguese beverage industry and capitalize on the opportunities presented by Hard Seltzer.

### 1.2. Problem Definition and Research Questions

The Work Project aims to assess perceptions and preferences of Portuguese young adults toward Hard Seltzers, comparatively to Beer, Wine, and Cider. Therefore, two main research questions will be addressed, namely:

RQ1) *What are the prevailing attitudes and perceptions among Portuguese consumers toward Hard Seltzers in comparison to beer, wine, and cider?*

RQ2) *Which specific attributes of Hard Seltzers do consumers in Portugal prefer, and what improvements can major market players make to their products based on these preferences*?

### 1.3. Work Project Overview

After providing a brief introduction, this thesis will explore the conceptual background of the emergence of Hard Seltzer, aiming to provide an understanding of its presence in the current alcoholic beverage market, particularly in Portugal. Accordingly, the other beverages under study will be described, along with a consumer behaviour examination. Subsequently, the existing literature on the topic and the corresponding findings are explored. These two chapters allow comparisons between previous results and the data collected in the subsequent sections. This section is followed by an explanation of the methodology employed, detailing the research measures used to address the research questions. The next chapter is dedicated to the results, starting with the outcome of the consumer and expert interviews. The chapter also explains the implementation of perceptual mapping and conjoint analysis and presents the findings derived from these methods. The discussion section will help answer the research questions and compare the results with the contextual background and literature review findings. Considering the sensitivity surrounding this issue, the subsequent chapter will examine the effects of flavoured alcohol on young consumers. Finally, based on the insights gathered throughout the work project, the thesis will outline the managerial implications, limitations, and opportunities for future research.

## 2. Background

The forthcoming chapter provides a comprehensive examination of the Hard Seltzer category. This analysis includes an overview of the United States market, where the product was first introduced, and an examination of the European market. Subsequently, the chapter delves into the Portuguese alcoholic beverage industry, highlighting the market structure. The ensuing discussion focuses on Hard Seltzers in Portugal, with a thorough investigation of their emergence, growth potential, and main players. This meticulous analysis represents an essential step in assessing the importance of the selected topic, as well as the motivations behind our choice of the subject.

### 2.1. Hard Seltzers: Emergence in the United States

Hard Seltzer is carbonated water combined with alcohol and fruit flavouring, often packaged in cans for ease of portability. The first Hard Seltzer, Zima Clearmalt, was launched in 1993 by Coord Brewing Company. This clear and mildly carbonated drink was marketed as an alternative to beer, and mainly targeted at women. It sold 1.3 million barrels in 1994, but sales dropped to a third of that in 1996 and continued to decline until production ended in the US in

2008. Nonetheless, Zima Clearmalt served as the foundation for the Hard Seltzer category (McCartan 2022).

In recent years, the Hard Seltzer category has grown substantially. In 2013, entrepreneur Nick Shields launched Bon & Viv in the US, which he later sold to AB InBev. Two other brands, White Claw and Truly, were introduced in 2016 and quickly became market leaders (McCartan 2022). While the Hard Seltzer category has grown steadily since its inception, it was not until 2019 that the market experienced a significant surge in popularity. According to Statista's 2023 report, Hard Seltzer revenue in the United States witnessed a noteworthy 112.71% increase in 2019, followed by a further growth of 42.47% in 2020, ultimately resulting in a total revenue of 7.17$ billion. In contrast, all other alcoholic beverages faced a decline in revenue due to the pandemic. Beer revenue decreased by 18%, wine revenue by 13%, and cider revenue by 28%. Notwithstanding, the beer and wine categories remained substantially larger, with respective revenues of 98.40$ billion and 45.67$ billion in 2020. It is noteworthy that, in 2018, the Hard Seltzer revenue surpassed the revenue of the cider category despite being a relatively new entrant in the market (Statista 2023).

In a further demonstration of the Hard Seltzer category's growing popularity, a 2020 report by NielsenIQ showed that the number of people drinking Hard Seltzers at bars or restaurants had increased by 73% between the spring and fall of 2019, adding an estimated 7.5 million new drinkers to the category.

### 2.1.1. The impact of Hard Seltzer on the Alcoholic Beverage Market

The rise of Hard Seltzers has had a significant impact on the entire alcoholic beverage industry in the United States. According to the State of the Wine Industry Report published in 2023, younger generations are transitioning to wine at a slower rate than previous generations. The report also indicates that the rise of Hard Seltzers has further impacted the wine market, as 33%

of consumers in the 21-34 age bracket would opt to bring Hard Seltzers to a party, compared to only 15% that would choose wine. In addition, Wine Intelligence (2020) has reported that around 12% of regular wine drinkers in the US are switching from wine to other drink categories, including beer and Hard Seltzers, with consumers under the age of 35 being the most likely to make the switch. According to this report, individuals entering the Hard Seltzer category display a higher degree of involvement with wine, indicating a willingness to pay premium prices. This finding implies that these consumers are not necessarily forsaking wine but adding Hard Seltzers for specific drinking occasions.

As previously mentioned, the beer and wine industries experienced a significant decrease in revenue in 2020, due in part to the COVID-19 pandemic. However, Nielsen's data for March and April of that year also revealed that the growing popularity of Hard Seltzers played a role in the decline. Consumers who purchased Hard Seltzers reduced their spending on beer and wine compared to the same period in 2019, with beer sales seeing a decline of 5.6 share points and wine sales experiencing a reduction of 4% among this group.

### 2.1.2. The United States Hard Seltzer Consumer

In the United States, several studies have been undertaken to better understand the behaviours and preferences of Hard Seltzer consumers.

The Harris Poll (2021) revealed that one in five alcohol drinkers consume Hard Seltzers, with younger consumers being more likely to have this drink. The demographic profile of the typical consumer shows that 68% of them are under the age of 44, 54% are female, and 49% have incomes greater than $100,000. Furthermore, Hard Seltzer drinkers value taste, flavour, food pairing potential, and packaging aesthetics. Veylinx (2021) corroborated these findings, with most respondents stating that the refreshing taste (54%) was the primary reason for selecting

Hard Seltzers, followed by the belief that it is a healthier alternative to other alcoholic beverages (22%).

Regarding the preferred location for consuming Hard Seltzers, the data from The Harris Poll (2021) suggest that consumers typically enjoy their drinks while watching television or a movie (69%) or while having a meal at home (63%). Veylinx (2021) confirms this conclusion, as it reports that 73% of consumers surveyed prefer to consume Hard Seltzers at home.

### 2.2. The European Hard Seltzer Market

After achieving significant success in the United States, the Hard Seltzer category has extended to Europe. Following the example of their American counterparts, Europeans are increasingly looking for healthier alternatives in the alcoholic beverage market. Additionally, the demand for convenient, ready-to-drink beverages is projected to increase in these regions. With the introduction of Balans Aqua Spritz by the Swedish cider-maker Kopparberg in early 2019, the United Kingdom became the first European country to experience this new category (Hawkes 2022). In 2020, other countries, including Germany, France, and Portugal, started introducing Hard Seltzers (Delaney 2021). Notably, prominent brands such as Topo Chico (by Coca-Cola), White Claw, Pure Piraña (by Heineken), and Mike's (by AB InBev) have gained a foothold in the market (Danielou and Banc 2021).

By 2023, revenue in the Hard Seltzer market in Europe is forecasted to reach 866.70€ million and to grow 36.60% annually (CAGR 2023-2027). The European Hard Seltzer industry is predicted to experience the fastest CAGR growth over the next several years when compared with other continents (Precedence Research 2023). The United Kingdom is expected to represent the largest market for Hard Seltzer in Europe, followed by Germany (Conway 2022).

While Hard Seltzer is growing in popularity in Europe, it may not see the same level of success as it has in the United States. Kevin Baker, Director of Beer and Cider Research at GlobalData, suggests that it is due to a lack of consumer understanding about the drink. Furthermore, the Western European market already has an established culture of pre-mixed cocktails, making it a more competitive environment for Hard Seltzers (Beeson 2022). Adding to this, the regulatory environment for alcoholic beverages in Europe is complex and diverse, with each EU member state enforcing its own unique set of rules and regulations regarding the production, labelling, and sale of alcoholic beverages. Unlike in the US, where Hard Seltzers have simplified regulations and are classified differently from spirit-based drinks, European manufacturers and distributors may face significant obstacles in navigating the multifaceted regulatory landscape (Knizner 2018).

### 2.3. Market Drivers

#### 2.3.1. Healthier Alternative to Other Beverages

According to the Nielson Global Health and Wellness survey (2015), consumers under 30 are becoming more health-conscious in their eating habits. The study revealed that younger consumers are more concerned about food ingredients, genetically modified and organic foods than previous generations. Among the different age groups, Generation Z was considered the most health-centric (Watson 2015).

In this sense, Hard Seltzer has capitalized on the health consciousness of consumers, positioning itself as a better alternative to traditional alcoholic beverages. Most Hard Seltzers contain less than 100 calories, are gluten-free, and have only about two grams of carbohydrates per serving. In contrast, beer typically has an average of 150 calories and 15-30 grams of carbohydrates (Lin n.d.).

Moreover, there has been a rise in the social wellness movement known as “sober curious” where individuals choose to abstain from alcohol, at least occasionally. This trend is particularly evident among younger generations. A study conducted by the University of Michigan reported that fewer college-age Americans are consuming alcohol, with the number of students who abstain from drinking increasing from 20% to 28% over the past decade (University of Michigan 2020). European consumers have also adopted this trend, with a remarkable and widespread decline in youth drinking in most high-income countries (Carnegie 2022). According to a United Kingdom alcohol consumption study, in 2019, 16-to-25-year-olds were the most likely to abstain, with 26% not drinking, compared to the least likely generation (55-to-74-year-olds), 15% of whom chose not to drink (DrinkAware 2019). Access to more information has contributed to this change, as younger consumers have become more knowledgeable about the health risks associated with alcohol consumption.

It is becoming more common for younger consumers to be conscious of their alcohol intake. However, this does not necessarily mean that most of them are giving up alcohol entirely (Cargill 2022). This shift in social awareness has led to a rise in the low-alcohol category, which includes Hard Seltzers due to their average alcohol content of 4-5%.

### **2.3.2. Convenience of Ready-to-drink Beverages**

The Ready-to-drink (RTD) category, which includes Hard Seltzers and pre-mixed cocktails, has effectively met the growing demand for convenience. Previously, consumers had to visit a bar or restaurant to enjoy a fruity cocktail, but with the emergence of RTD products, consumers can now enjoy such beverages anywhere and anytime. The beer industry has been catering to the consumer need for convenience for decades, and now this new category provides consumers with similar options. The packaging of these products has become increasingly innovative and plays a vital role in attracting consumers. Whether in cans, boxes, or multipacks, consumers value portable options when purchasing alcoholic beverages (Lin n.d.).

### **2.3.3. Gender-Neutral Marketing**

Hard Seltzers has taken a lifestyle approach, targeting a universal audience and emphasizing its health benefits, convenience, and enjoyable nature. This contrasts with traditional gender-based targeting used by products like beer, which typically cater to men. Notably, the first Hard Seltzer, Zima Clearmalt, failed partly because of its initial marketing towards women. Even after attempts to broaden its customer base, conventional marketing wisdom suggested that men would not be interested in a product perceived as “feminine” (Smith 2021).

White Claw's marketing strategy stands out by focusing on the product rather than relying on gender-based targeting. The brand's success is attributed to its approach of not assuming customers' preferences based on gender (Dimitrakis n.d.). Advertisements and social media posts feature both men and women participating in outdoor activities, thereby appealing to a diverse audience. This strategy aligns with the new generation's concept of gender fluidity, as noted by Susan Dobscha, marketing professor at Bentley University (Lin n.d.).

#### 2.3.4. Covid-19

The Covid-19 pandemic significantly impacted the growth of the Hard Seltzer category. As reported by Intelligencer in 2020, off-premises consumption of alcoholic beverages increased by 24% between March 1 and April 18, 2020. Despite the sharp decline in sales at restaurants and bars, the surge in off-premises sales has surpassed the 20% benchmark set by Nielsen to offset the losses, suggesting an increase in alcohol consumption during the pandemic.

During this time of social distancing, activities like picnics and outdoor gatherings became more popular. In this sense, Hard Seltzers were an easy, affordable option while adhering to health guidelines. The demand for convenience was further accentuated during the pandemic, as consumers looked for easy-to-get, prepare, and consume beverages (O.J. Beer 2022).

Additionally, the pandemic led to an increase in health awareness and a willingness to change lifestyles to stay fit. According to a survey by Ipsos, 62% of Americans believed their health was more important to them than before the pandemic. This shift in mindset contributed to an over 10% increase in premium light beer sales from March 7 to June 6, 2020, compared to the same period in 2019. Hard Seltzer sales also saw significant growth, more than quadrupling during the same period. Notably, 44% of Hard Seltzer sales came from first-time buyers (Genovese 2020).

### 2.4. The Portuguese Alcoholic Beverage Market: An Overview

The alcoholic beverage industry encompasses all alcoholic beverages produced through fermentation or distillation, as defined by Statista. Recent reports indicate that Portugal has one of the highest alcohol consumption rates among countries in the Organization for Economic Cooperation and Development (OECD), with an average of 12 litres per person per year. This figure contrasts with the OECD average of 10 litres annually (Agência Lusa 2021). Additionally, Portugal has the highest prevalence of daily alcohol consumption within the European Union (EU). According to data published by Eurostat in 2021, 20.7% of the Portuguese population consumes alcohol daily, compared to 13% in Spain and 12.1% in Italy.

In 2023, the Portuguese market for alcoholic beverages is predicted to generate revenue amounting to 6,269.00€ million, with an expected annual growth rate of 7.84% (CAGR 2023-2027). Moreover, by 2027, approximately 76% of total expenditure and 67% of alcohol consumption within the Alcoholic Drinks market will be attributed to out-of-home consumption, primarily in bars and restaurants (Statista 2023).

The alcoholic beverage market in Portugal is incredibly diverse, including a wide range of products that fall into five main segments, namely Beer (both alcoholic and non-alcoholic), Wine (including Red, White, and Rosé Wines, Sparkling Wine, and Fortified Wine), Spirits (including Vodka, Rum, Gin, Brandy, and Liqueurs & Other Spirits), Cider, Perry & Rice Wine, and Hard Seltzers. This report will specifically focus on beverages ready for immediate consumption, prepared and packaged accordingly. As a result, the analysis will not include the spirits segment, which is often consumed in combination with other beverages, such as juice.

### 2.4.1. Hard Seltzers

The popularity of Hard Seltzers in Portugal has grown significantly since 2020, a trend that has been driven in part by the COVID-19 pandemic. This category was introduced by the Portuguese brand Phunk, created by Duarte Froes, who discovered the product during his studies in the United States. After launching the brand through its website, the product quickly sold out within three months, leading other beverage companies to follow suit. Heineken, for instance, introduced Pure Piraña in Portugal, making it one of the first two European markets to receive the drink (Visão 2021). Similarly, Empresa de Cervejas da Madeira launched Coral Hard Seltzer passion fruit around the same time, while Selza's founders, Rui Santos, and Maia Pedro, also launched their Hard Seltzer brand (Pacheco 2021).

In 2021, during an interview for Hipersuper, the co-founder of Selza commented on the potential challenges Hard Seltzers could face in the Portuguese market due to the strong wine culture prevalent in the country. Despite this, the co-founder expressed optimism that as consumers became more familiar with the product, Hard Seltzers could potentially compete with other popular beverages like beer and cider. Similarly, the Marketing Manager for Flavoured Alcoholic Beverages and Variety at Sociedade Central de Cervejas e Bebidas (SCC) highlighted that the experimental nature of Portuguese consumers and the previous success of the cider category, which share similarities with Hard Seltzers, provide good prospects for the growth of this new category (Pacheco 2021).

Fast forwarding to 2023, it becomes evident that the Portuguese market has been welcoming to the introduction of Hard Seltzers. Statista reports that the revenue for Hard Seltzers in Portugal amounts to 3.50€ million in 2023, with the market anticipated to grow annually by 35.97% (CAGR 2023-2027).

However, as the popularity of this category continues to grow, so do the concerns of the Portuguese Nutritionists Association (ON). The ON warns that the image surrounding Hard Seltzers, with its emphasis on fruit flavours, may mislead consumers about their nutritional composition, ingredients, production method, and, most importantly, their impact on health. Chairwomen Alexandra Bento stresses the importance of clarifying to young people that Hard Seltzers are alcoholic beverages, not carbonated water. Such claims could inadvertently promote alcohol consumption, which is a major risk factor for mortality and morbidity in the Portuguese population (Schreck 2021). As Hard Seltzer brands navigate this market, they should exercise caution and ensure that they are transparent about their products' ingredients, nutritional profiles, and health effects.

#### 2.4.1.1. Portuguese Players: Characteristics

##### 2.4.1.1.1. Phunk

Phunk was the inaugural brand to debut in the market, featuring a predominantly water-based composition that boasts a fruity flavour profile, carbonation, and a reduced alcohol content of 4.5%. Gluten-free and devoid of any added sugars, this alcoholic beverage contains only 26 calories per 100 millilitres and is served in a can. Phunk comes in four distinct flavours, comprising two sweeter varieties - mango and cherry - and two more neutral options - lime and ginger, along with blueberry. The brand retails via its website, as well as through the Horeca channel. On the website, customers can purchase six-packs of Hard Seltzer in a single flavour for 11.34€, or a 12-pack assortment containing all available flavours for 24€. In the supermarket, one 25 centilitres can is sold at 1,89€ (Continente Online n.d.). Furthermore, the brand has secured sponsorship at music festivals such as Sónar Lisboa, thereby increasing its visibility and exposure to potential consumers (Sónar n.d.).

Recently, Phunk unveiled Punk Up, a new Hard Seltzer boasting an alcohol content of 8%, making it the first of its kind in Europe to possess such a high percentage. The 6-pack bundle can be purchased for 24€ via their website (Bento 2021). In 2022, the brand appointed the Portuguese model Sara Sampaio as its Chief Innovation Officer (Rodrigues 2022).

#### 2.4.1.1.2. Pure Piraña

Pure Piraña is a Hard Seltzer brand distributed by Sociedade Central de Cervejas e Bebidas and created by the Heineken Group. This product comes in 33 centilitres cans, containing 92 calories and two grams of sugar per can. With a 4.5% alcohol content, Pure Piraña offers four flavour options: lemon-lime, red berries, watermelon-strawberry, and pineapple-lime. In addition to being low in calories and sugar, Pure Piraña is also a vegan drink, gluten-free, and low in carbohydrates (Guerreiro 2021).

Previously, this Hard Seltzer was marketed individually in several supermarkets across Portugal at a price point of 0.99€ per can (Continente Online n.d.), thus positioning it as the most cost-effective brand in the market. Nonetheless, recent updates indicate that the product is currently unavailable at renowned retail chains, including Continente, Auchan, and MiniPreço (see Appendix 1).

#### 2.4.1.1.3. Selza

Selza is a Portuguese brand founded by Maia Pedro and Rui Santos. Initially, the brand launched a 25 centilitres can with 75 calories and 5% alcohol content. Subsequently, Selza introduced a new can with 33 centilitres, containing 96 calories and 4.5% alcohol content (Selza Website n.d.). The available Flavours are mango and lime-mint. Selza's Hard Seltzer is made with 100% natural ingredients and is vegan-friendly. The can is made of aluminium to increase its sustainability, and the entire production process takes place in Portugal.

Customers can purchase Selza through the brand's website, where a pack of twelve 330 ml cans is priced at 20.99€. Furthermore, the product is available on food delivery apps such as Bolt and Uber Eats, where a pack of twelve 33 centilitres cans can be purchased for 21.99€. Selza s obtainable in selected Portuguese supermarkets, where a single can costs 1.99€. Finally, the Portuguese wine producer José Maria da Fonseca, not only is a Selza investor but also distributes the product through their website (José Maria da Fonseca 2021).

2.4.1.1.4. Coral Hard Seltzer

Empresas de Cervejas da Madeira has introduced Coral Hard Seltzer with a single flavour: Passion Fruit (or Maracuja). As Madeira Island is well-known for its passion fruit culture, Coral wanted to create a Hard Seltzer that celebrates this fruit (Voz do Campo 2019). The alcohol content is obtained through the fermentation of regionally sourced fruits, resulting in a 4.5% alcohol degree, containing only 70 calories. It is naturally low in carbohydrates and is gluten-free. With a 25 centilitres capacity, the bottle is made of glass, being the only Hard Seltzer in Portugal sold in returnable packaging (Empresa de Cervejas da Madeira n.d.).

Consumers can purchase Coral Hard Seltzer through the brand's website, where a 12-pack is priced at 14,40€. It is also available at Portuguese supermarkets for 17,88€ per 12-pack, and individual bottles can be purchased for 1,49€ each (Continente Online n.d.). It is noteworthy that Coral is the only Hard Seltzer brand that is available in a multipack at supermarkets.

2.4.1.1.5. Somersby

Somersby Hard Seltzer is a beverage brand under the ownership of the Carlsberg Group, a multinational brewery company. In 2021, the brand launched its product line in the Portuguese market, featuring two distinct flavours: mango-passionfruit and lime. Each can of Somersby

Hard Seltzer contains 4.5% alcohol and 2 grams of sugar, with a caloric value of 99 calories per 33 centilitres can. This beverage stands out amongst other Hard Seltzer brands for its comparatively higher calorie content.

In Portugal, Super Bock Group holds the exclusive distribution rights of Somersby. When launched, the product was available for purchase in selected supermarkets for 1.59€ per can (Durand 2021). However, this Hard Seltzer was available in supermarkets for a limited time and is no longer being sold.

To summarize, the emergence of the Hard Seltzer category in Portugal resulted in five different brands. However, only the Portuguese brands, specifically Phunk, Selza, and Coral, are currently available for purchase based on information on the websites of retail chains such as Continente, Auchan, and El Corte Ingles (n.d.).

### 2.4.2. Wine

Portugal has a rich and deeply ingrained wine culture, a product of its history, geography, and way of life. Given its long-standing reputation for producing outstanding wines, it comes as no surprise that the Wine segment is the largest market in Portugal, projected to reach a volume of 3.87 € billion in 2023, with an estimated annual growth rate of 9.96% (CAGR 2023-2027) (Statista 2023). Furthermore, Portugal has the highest per capita wine consumption worldwide, where each person is estimated to consume 51.9 litres of wine per year, according to data from the International Organization of Vine and Wine (OIV). This figure equates to approximately one litre of wine or four glasses per week (Spirited 2021).

#### 2.4.2.1. Wine consumers

From a demographic perspective, it is notable that wine drinkers tend to be older, with 36% falling within the age range of 50 to 64 (Statista 2022). Data from Aswani (2022) also emphasizes that older individuals comprise the majority of regular wine consumers in the

Portuguese population. Additionally, more than half of wine drinkers in Portugal are male (58%), and many have a high annual household income. Regarding lifestyle, wine drinkers in Portugal place great emphasis on leading an honest and ethical life (Statista 2022).

### 2.4.3. Beer

Notwithstanding common assumptions that Portugal is exclusively a wine-consuming country, the actuality is that beer is also widely famous. While Portugal may not be as well-known for brewing as Germany or Belgium, Portuguese individuals consume a significant amount of beer, with a per capita beer consumption of 53 litres (Portuguese Brewers Association 2019)

The Beer Segment is, in fact, the second largest in the Portuguese alcoholic beverage market, with revenue reaching 984.00€ million in 2023 and expected annual growth of 5.87% (CAGR 2023-2027) (Statista 2023). Francisco Girio, the general secretary of Cervejeiros de Portugal, attributes the growth in the beer market to trends in responsible consumption, health, and well-being. As consumers increasingly prioritize healthy products, alcoholic beverages with lower alcohol content are becoming more popular, positioning beer as a preferred choice (Hipersuper 2023). Currently, two prominent brands dominate this market, Sagres and Super Bock, which collectively account for 90% of the total beer consumption in Portugal.

#### 2.4.3.1. Beer consumers

Regarding the demographic profile of beer drinkers, 36% were between 50 and 64 years old, with an additional 27% between the ages of 40 and 49. The gender distribution of beer consumption is particularly skewed, with 66% of beer drinkers being male, a finding corroborated by the TGI study (2020) that reported 61% of the total beer consumers were male. Additionally, despite its relatively low price point, a significant number of beer drinkers have a high annual household income, with 34% residing in small towns (Statista 2022).

As for their attitudes, 69% of beer consumers report actively trying to maintain a healthy diet (Statista 2022). According to TGI data, 45.3% of beer consumers state they drink beer at least once a week (Grupo Marktest 2020). Finally, beer consumption occurs mainly outside the home, with 60% of consumers preferring to drink in restaurants or bars. This fact contrasts with the European average, where only 34% of consumers opt to drink in public establishments (Grupo Marktest 2020).

### 2.4.4. Cider

Portugal has not historically been known for its cider-drinking culture. In recent years, however, there has been a notable resurgence in cider consumption in the country. According to the study Target Group Index (TGI) by Grupo Marktest (2017), the number of cider drinkers in Portugal has increased by an impressive 56% since 2015. In 2015, Somersby, a Danish industrial beverage owned by Carlsberg, was the primary brand sold in the market (Marktest 2015). Looking to the future, it is worth noting that the revenue in the Cider, Perry & Rice Wine segment in Portugal currently amounts to 19.68€ million in 2023 and is expected to grow at an annual rate of 8.46% (CAGR 2023-2027) (Statista 2023).

#### 2.4.4.1. Cider consumers

The TGI study conducted by Marketest in 2019 found that the cider consumer market is highly segmented by age. The study revealed that more than half of cider drinkers are under 35. Specifically, 46.7% of 18- to 24-year-olds reported having consumed cider in the past 12 months, while 34.2% of 25- to 34-year-olds reported the same. Interestingly, as age increases, the percentage of cider consumers decreases significantly. The study found that the consumption rate drops to a low of 6.3% among those over 64 years old, indicating that this group is less likely to consume cider.

### 2.4.5. The Influence of Hard Seltzers on the Portuguese Beer and Cider Industry

Since the Hard Seltzers' introduction in Portugal, the alcoholic beverage market has undergone a series of transformations. In response to this new product, beer and cider companies have begun to innovate to compete and meet the evolving needs of consumers.

In April 2023, Super Bock Group announced the launch of their latest product, Super Bock Sky. This beer contains 3.3% ABV (alcohol by volume) and 30% fewer calories than regular beer. It aims to accompany the behavioural changes of consumers increasingly seeking active and healthy lifestyles. Furthermore, Super Bock Sky has a lighter and more refreshing taste, which is a characteristic commonly associated with Hard Seltzers. The target group is younger consumers and women, where beer penetration does not reach 30% (Ferreira 2023).

In addition, Super Bock Group introduced a new Somersby in 2022, which has a 0.0% alcohol content and a pear flavour. The group intends to promote responsible consumption aligned with a healthier lifestyle. According to Super Bock Group, there is an increasing demand for alcohol-free drinks among consumers (Costa 2022). In March 2023, Somersby also launched a new flavour, Mango and Lime (Hipersuper 2023). Similarly, Bandida do Pomar introduced a Mango-flavoured cider (Continente Online n.d.).

Concluding, Portugal's alcoholic beverage market has recently witnessed the introduction of new products that align with the growing trend among consumers for low-alcohol and alcohol-free drinks. As a result, companies in the beverage industry are adapting their strategies to remain competitive and meet evolving consumer needs. However, it is worth noting that Portugal ranks among the countries with the highest alcohol consumption rates in Europe. Consequently, it remains unclear how Portuguese consumers will respond to these new offerings and whether they will embrace the trend towards moderation and healthier options in the long run.

## 5.2. Perceptual Map

As previously mentioned in the methodology section, the perceptual map is built on seven attributes: *Level of Alcohol, Refreshing Effect, Young, Convenience, Healthiness, Fun,* and *Masculine.*

Each attribute was rated on 5-point Likert scale, in addition, further questions were added beforehand and afterwards in order to help answer the research questions.

The survey resulted in a total of N=158 observations. However, eight respondents were excluded from the final analysis as they were neither residents of Portugal nor have they recently lived in the country. Additionally, participants who were not familiar with Hard Seltzers were also excluded from the analysis. These necessary exclusions led to a final sample size of 113 survey responses, which will be considered for data analysis and the creation of perceptual maps.

### 5.2.1. Sample characteristics

#### 5.2.1.1. Age

The age was divided into three different options, overlapping with the commonly used age groups, ranging from 18 to 24, 25 to 34 and 35 to 44. Due to the topic of this research being connected to alcohol and its consumption, participants below 18 were not considered due to the legal drinking age in Portugal. Furthermore, respondents above 44 were not considered as the previously conducted expert interview highlighted that primarily targeted age group is between 20 and 35 years. Furthermore, as stated in the "Background" section of this thesis, 68% of Hard Seltzer consumers in the US are below the age of 44. This was used alongside the information from the expert interview as an additional guide to narrow down the age group. Overall, 95 participants (84.07%) were in the age group of 18 to 24 and 23 (15.93%) belonged to the group of 25 to 34 years. This distribution can be explained by 4 out of 5 team members being part of Generation Z.

#### 5.2.1.2. Gender

Participants were given the opportunity to categorize their gender as either female, male or opt for the “prefer not to say” option. While the latter option was not chosen by any participant, 64 participants were female (56.64%) and the remaining 49 were male (43.36%).

#### 5.2.1.3. Nationality

To not exclude any possible nationalities, this question was in free text form rather than a single choice one with given answer options. As this study deals with the alcoholic beverages market in Portugal, the highest interest respondent group were people with Portuguese nationality. Out of all respondents 97 were Portuguese which accounts to 85.84%. The second largest group were Germans with 10 respondents (8.85%), followed by Italians and Brazilians with 2 respondents (1.77%) each. The smallest groups were Austrian and Swiss with 1 person (0.88%) each.

#### 5.2.1.4. Professional Situation

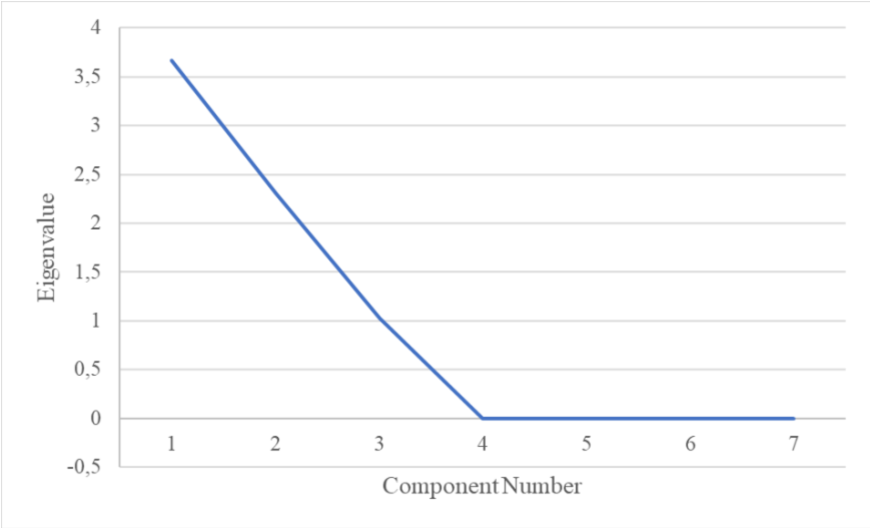
Respondents were also asked to classify their professional situation into one of three categories: “student”, “(self-) employed” or “unemployed”. The results show that the largest group of respondents were students, comprising 58 responses (51.33%). The next largest group were self-employed individuals, with 50 responses (44.25%), while only 5 respondents (4.42%) reported being currently unemployed.

### 5.2.2. Familiarity with and consumption of Hard Seltzer

As already mentioned in the methodology chapter of this thesis, the first three survey questions aimed at identifying suitability of a respondent to be included in the data analysis. In this regard, the second and third questions aimed to learn more about the respondent's familiarity with and consumption of Hard Seltzer. Overall, almost 30% of the responses had to be eliminated from the dataset due to unfamiliarity with Hard Seltzers. This can be explained by the fact that the alcoholic beverage is relatively new to the Portuguese market and Portugal already has a strongly established drinking culture, with wine and beer accounting for 54,85 and 37,73% of total consumption value in 2022 (Statista 2023). Furthermore, only 80 (51%) respondents have tried Hard Seltzer at least once in their life.

### 5.2.3. Data analysis setup

The following section will focus on how the data was analysed and on what basis design and setup decisions were made. SPSS in version 29 was used to conduct the data analysis, with input data that was generated in Excel. This input data is mean values of the seven chosen characteristics for each of the different beverages. After transferring the data to SPSS, a factor analysis was performed. It is important to mention that a factor analysis is only one of several ways to create a perceptual map. However, this is the best option in this case, as it helps to reduce the data by reducing the set of chosen attributes into smaller, more comprehensive components. These criteria are also met by discriminant analysis, but this method is generally better suited to analysing differences between brands and not product characteristics (Kohli and Leuthesser 1993). Setting up a factor analysis includes a number of different decisions in the process. One of the central decisions to be made is how many factors or components should be retained. Per default SPSS defines that all values with an eigenvalue above 1 are retained. However, this is considered one of the least accurate methods to determine the factor quantity (Costello and Osborne 2005). Therefore, the number of factors was determined using the scree test. For this purpose, the scree plot generated by SPSS shown in Graph 1 was used.




*Graph 1 – Scree Plot*

Here it is visible that at component four there is an elbow in the graph, which indicates that the number of factors to the left of this point is supposedly retained (Pallant 2016) and each of these components has an Eigenvalue above 1.

***Table 1 – Total Variance Explained***

| **Component** | Extraction Sums of Squared Loadings | | |
|---|---|---|---|
| | *Total* | *% of Variance* | *Cumulative %* |
| *1* | 3.665 | 52.358 | 52.358 |
| *2* | 2.308 | 32.965 | 85.323 |
| *3* | 1.027 | 14.677 | 100.000 |

However, as seen in Table 1, the third component only explains 14.677 % of the total variance, while the first two explain a cumulative variance of 85.323 %. Therefore, only components 1 and 2 are considered to keep simplicity while still having a considerably good amount of variance explained.

Besides, it must be checked whether a rotation of the data set is useful or not. The aim of data rotation is to simplify and clarify it, while no change in data quality occurs and thus values as the explained variance stay the same (Costello and Osborne 2005). This simple structure is achieved when each of the included factors is strongly correlated to only one of the components. Factor rotation is divided into orthogonal and oblique approaches, both with individual strengths and weaknesses. The orthogonal approach - mostly used is the Verimax rotation - has the basic assumption that factors are not correlated and results in easier to interpret and report solutions. The oblique approach- commonly used is the Direct Oblimin rotation - does not have the same assumption and allows factors to be correlated. However, this approach is more difficult to interpret and report (Pallant 2016). The data was first rotated using the Direct Oblimin rotation, since this way SPSS will create the Component Correlation Matrix which makes it possible to determine the correlation between the two factors. If the displayed correlation factor is above 0.3 the correlation is significant and the use of the Direct Oblimin would be necessary (Pallant 2016).

***Table 2 – Component Correlation Matrix***

| **Component** | 1 | 2 |
|---|---|---|
| *1* | 1.000 | .084 |
| *2* | .084 | 1.000 |

As the table shows, the correlation between factors 1 and 2 is quite low at 0.084, therefore, the correlation is not significant and a Varimax rotation could be applied. In order to generate the best possible output, the analysis was performed both without rotation and with the Verimax method and then compared as seen in Appendix 7. According to the calculated values displayed in the table there is no significant difference when applying rotation to the dataset. In fact, with Varimax applied, there are more attributes loading on both components when compared to no rotation. Therefore, for the final analysis of the data, the procedure without rotation was used. Finally, one additional setting was made in SPSS before getting to the data analysis results. In order to simplify the output even further, the coefficient display format was adjusted to suppress small coefficients below 0.3.

### 5.2.4. Data analysis results

The average ratings across attributes for each of the four alcoholic beverages were compressed into averages which can be found in Table 3. In the table the highest averages per attribute were marked in bold while considerably lower ones were underlined.

***Table 3 – Average Ratings of the Beverage on each Attribute***

| Attribute/Beverage | Hard Seltzer | Beer | Wine | Cider |
|---|---|---|---|---|
| *Level of Alcohol* | 2,300 | 2,809 | **3,845** | 2,391 |
| *Refreshing Effect* | 3,891 | **4,009** | 2,445 | 3,918 |
| *Young* | **4,645** | 3,236 | 2,036 | 4,136 |
| *Convenience* | 3,200 | **4,473** | 3,055 | 3,782 |
| *Healthiness* | **3,118** | 2,100 | 2,664 | 1,945 |
| *Fun* | 3,936 | **4,109** | 3,345 | 3,573 |
| *Masculine* | 2,109 | **4,236** | 3,118 | 1,827 |

It is noticeable that Hard Seltzers score the highest in the attributes *Young* and *Healthiness* when compared to the other beverages in study. This is in line with the initial expectations which were underpinned by the findings from the preliminary and the expert interviews, as Hard

Seltzers target a young age group of more health-conscious consumers. In addition, the attribute *Young* may also refer to the fact that these drinks have been recently introduced to the Portuguese market and have not been available for as long as other drinks in the market. Furthermore, Hard Seltzer scores the lowest in terms of *Level of Alcohol*, although it has, on average, the same alcohol level as beer and cider. This could possibly be related to the marketing efforts around the beverage, which evolve creating a healthier image compared to other alcoholic beverages. Beer, as already mentioned one of the most consumed alcoholic beverages in Portugal, scores the highest averages in *Refreshing Effect*, *Convenience* and *Fun*. Cider is almost on par with beer and Hard Seltzer in most of the categories without standing out in any. It can also be noticed that apart from the *Healthiness* attribute, the averages of cider and Hard Seltzers are quite similar. Even though wine is the most consumed alcoholic beverage in Portugal it fared poorest in this survey, apart from *Healthiness*. This could possibly be related to the predominantly young age group of the respondents.

After the necessary settings - described in the previous section - were implemented in SPSS, a dimension reduction in the form of a factor analysis was performed and the outputs from this analysis will be evaluated in the following.

The first output of the analysis are descriptive statistics which can be found below.

***Table 4- Descriptive Statistics***

| | *Mean* | *Std. Deviation* |
|---|---|---|
| *Level Of Alcohol* | 2.838 | .711 |
| *Refreshing Effect* | 3.568 | .747 |
| *Young* | 3.518 | 1.145 |
| *Convenience* | 3.625 | .645 |
| *Healthiness* | 2.458 | .537 |
| *Fun* | 3.743 | .345 |

| | | |
|---|---|---|
| *Masculine* | 2.825 | 1.094 |

In this case, the means shown in the table refers only to the individual categories but are not subdivided by beverage. Aligned with the data described before, especially high means are visible on 4 of the 7 attributes, namely *Refreshing Effect*, *Young*, *Convenience* and *Fun*. The attribute with the overall lowest mean value is *Healthiness*. This is presumably due to the fact that all the beverages studied are alcoholic and are therefore generally classified as rather unhealthy. In addition, a high standard deviation for *Young* and *Masculine* can be identified. During the survey, participants were asked to rate if they would describe each of the beverages as young or rather old. The first description represented the maximum score on a 5-point Likert scale and the second the lowest possible score. The same was true for *Masculine*, where masculine corresponded to the maximum value and feminine to the lowest. The higher standard deviation on both attributes shows that participants would clearly describe some of the beverages as young or old, and some as a more masculine or feminine one.

The correlation matrix, which can be found below, gives first information on which traits correlate with each other.

***Table 5 – Correlation Matrix***

| | *Level of Alcohol* | *Refreshing Effect* | *Young* | *Convenience* | *Healthiness* | *Fun* | *Masculine* |
|---|---|---|---|---|---|---|---|
| *Level of Alcohol* | 1.000 | -.926 | -.974 | -.324 | .075 | -.593 | .467 |
| *Refreshing Effect* | -.926 | 1.000 | .824 | .646 | -.291 | .781 | -.116 |
| *Young* | -.974 | .824 | 1.000 | .104 | .127 | .501 | -.601 |
| *Convenience* | -.324 | .646 | .104 | 1.000 | -.749 | .636 | .555 |
| *Healthiness* | .075 | -.291 | .127 | -.749 | 1.000 | .014 | -.235 |
| *Fun* | -.593 | .781 | .501 | .636 | .014 | 1.000 | .383 |
| *Masculine* | .467 | -.116 | -.601 | .555 | -.235 | .383 | 1.000 |

The *Level of Alcohol* has a negative correlation with most of the attributes. There is only a positive correlation with *Masculine* and a value of almost zero in combination with *Healthiness* which indicates that there is no relationship between the two variables. This is a somewhat unexpected finding, since the initial assumption was that high alcohol content negatively affects perceived healthiness of a beverage. There are strong correlations between a group of attributes. *Refreshing Effect* correlates exceptionally strong with *Young*, *Convenience* and *Fun* but also strongly negative with the *Level of Alcohol*.

The component matrix demonstrates how strongly the individual factors load on each of the extracted components. As already stated in the previous section, loadings with a value less than 0.3 have been suppressed for the sake of simplicity in interpretation. Due to the sample size, the factor loadings are considered as significant starting with a value of 0.55 (Hair et al. 2009). Furthermore, the attributes loading should be below 0.30 when they also load on an additional component and the difference in loadings should be at least 0.20 when cross loadings appear (Howard 2016).

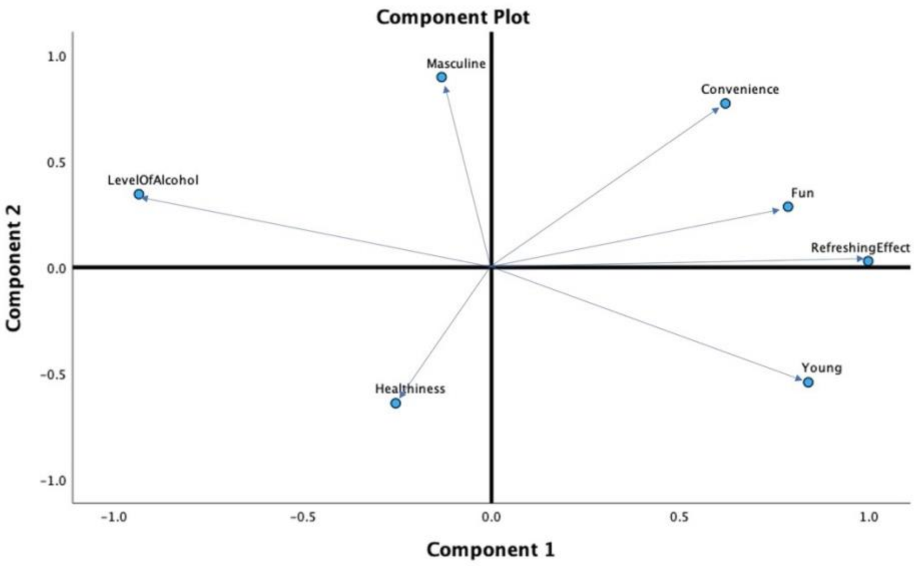
Table 6 shows the component matrix which was created with the data from the survey.

***Table 6 – Component Matrix***

| | Component | |
|---|---|---|
| | 1 | 2 |
| *Refreshing Effect* | .999 | |
| *Level of Alcohol* | -.935 | .345 |
| *Young* | .840 | -.542 |
| *Fun* | .787 | |
| *Masculine* | | .897 |
| *Convenience* | .621 | .773 |
| *Healthiness* | | -.641 |

According to the criteria stated above, the attributes significantly loading on component 1 are *Refreshing Effect, Young* and *Fun*, while *Masculine* and *Convenience* load on component 2. It also becomes evident that there is a cross loading for *Convenience*, which loads high on both components and the difference between the values on primary and secondary component is less than 0.20. This contradicts the criteria just stated, but after consultation with the supervising professor, the cross loading is retained as it is, and the component 2 will be labelled including it.

Additionally, the distribution of the data is visualized in the following Component Plot, where the different loadings indicate the position in the coordinate system. For this purpose, a complete component matrix without suppressed values can be found in Appendix 8.

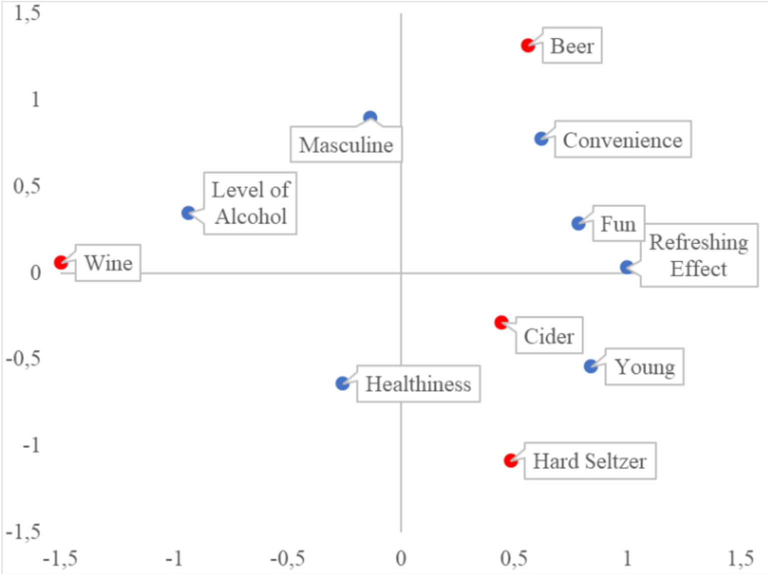



*Graph 2 - Component Plot*

The position of each factor in the component plot indicates their level of correlation with each other. Attributes that move in a similar direction indicate a positive correlation among them, therefore a beverage that is associated with one attribute will likely be rated high on the corresponding other. The longer the line which goes from the graph's origin to the point of each attribute is, the more explanatory power that attribute has. This seems to be the case for several of the attributes but especially *Refreshing Effect* for component one and *Masculine* for component two. It is noticeable that the studied attributes are distributed across all quadrants of the plot, with *Convenience*, *Fun* and *Refreshing Effect* located in the first one, *Masculine* and *Level of Alcohol* in the second, *Healthiness* in the third and *Young* in the fourth. The smaller the space between two attributes, the higher is their correlation. This applies to the attributes in the 1$^{st}$ and 4$^{th}$ quadrant. *Fun*, *Refreshing Effect* and *Young* which correlate with each other with a value of at least 0,5. This is also true for *Convenience* when paired with *Refreshing Effect* and *Fun*. However, the correlation with the third of the group of factors just mentioned - *Young* - is only 0,104. Attributes that are moving in the opposite direction are negatively correlated. This is especially the case for *Convenience* and *Healthiness* with a value of -0,749, and *Level of Alcohol* with *both Refreshing Effect* and *Young* with values of -0,926 and -0,974, respectively.

Another factor that can be observed in the component plot is the factor loadings on each of the two components. The closer the loadings are to one of the maximum values, i.e., 1 or -1, the stronger this factor influences the component. If a loading is close to 0 it has only a minor impact on the component. Moreover, if the slope of an attribute is close to one of the axes, it has a high loading on one of the components but only a marginal one on the other. This is observable with *Refreshing Effect* loading high on component one and *Masculine* on component two but only minor on the secondary. Overall, it can be concluded that the two groups describing the components are *Fun, Refreshing* and *Young* with a strong negative loading of *Level of Alcohol* for component one and *Masculine* with a strong negative loading of *Healthiness* for component two. The first group of attributes can be characterized as *Rejuvenating* while the second group could be labelled as *Rough*, aligning with the outcomes of the preliminary interviews. During these interviews, participants employed this adjective to describe beer, and as evident from the perceptual map, this drink is positively linked with the aforementioned component.

The following graph will merge Graph 2- which depicts the positioning of the different attributes within the graph- with the positions for the studied beverages. The coordinates given in Appendix 9 were used for positioning. As in the component plot displayed before, the X-axis demonstrates component 1 and the Y-axis demonstrates component 2.




*Graph 3 - Perceptual Map including attributes and beverages*

The first thing to notice is that none of the beverages studied are located in the third quadrant. Therefore, none of the studied beverages has negative correlations with both extracted components. Moreover, Cider and Hard Seltzer are in quadrant 4, sharing similar attribute profiles. This indicates that participants perceive the two beverages as most similar to each other and accordingly these are most likely to compete in the consumer's mind. Every beverage occupies a unique position in the perceptual map and consequently has a distinctive profile of the studied attributes. This profile can be estimated by setting an additional perpendicular hypothetical line along each of the attribute's lines. That line can be moved at a 90-degree angle along the attribute slope to determine how much the beverages are associated with them. The further away from the origin the intersection of the perpendicular line and the coordinate of the beverage is, the higher is the beverage's association with that certain attribute. As already mentioned, cider and Hard Seltzer have a highly comparable profile. The positioning of the beverages on component one is nearly identical, while cider is less associated with component two than Hard Seltzer. Applying the method described before, Hard Seltzer has stronger associations with *Healthiness* and *Young*, Cider on the contrary with *Convenience* and *Fun*. It is also noticeable that both beverages score very similar when it comes to *Refreshing Effect*.

Furthermore, both are perceived as a more feminine drink, with cider leaning towards a gender-neutral positioning.

Wine and beer occupy a unique position on the map in the second and first quadrant, respectively. It is observable that wine is almost not affected by component two which was labelled as *Rough*. As component two is strongly loaded with *Masculine* this implies that wine is perceived as a gender-neutral beverage. Furthermore, wine is associated with the highest *Level of Alcohol* while also displaying a high level of *Healthiness*. Beer is the only beverage that scores high on component two, while the remaining three are either un- or negatively correlated. In terms of the first component, the positioning of beer is comparable to that of the "younger" beverages, these being cider and Hard Seltzer. Overall, beer is characterized as the most fun, convenient, refreshing, and masculine beverage but also as the second least healthy.

### **5.2.5 Key Findings**

Each of the beverages has a unique profile based on the studied attributes *Level of Alcohol, Refreshing Effect, Young, Convenience, Healthiness, Fun* and *Masculine*. Some of the studied beverages are perceived to be more similar to each other, while others occupy only slightly similar or even highly different positions in the perceptual map. Hard Seltzer has the highest scores in *Healthiness* and *Young* out of the four. With a similar positioning in the perceptual map, cider is the most comparable beverage. Despite showing similar profiles, cider is considered as being more refreshing and convenient. Another aspect that stands out is that cider is considered the least healthy. Beer scores very high on several attributes, being perceived as the most refreshing, fun, convenient and masculine beverage. On the contrary, beer is also perceived as second least healthy drink. Wine is consequently considered as incorporating the highest amount of alcohol, nevertheless, it has the second highest rating for *Healthiness*. Furthermore, it occupies a unique positioning on the perceptual map. The beverage displays almost no correlation with component two and a highly negative correlation with component one. Beer, on the other hand, has a similarly strong correlation with component one as Hard Seltzer or cider and a strong positive correlation with component two. Hard Seltzer and cider are located in the same quadrant of the map. Both have a positive correlation with component one and a negative correlation with component two. Cider, however, is less negatively correlated with component two.

## 5.4. Ex-post Segmentation

Market segmentation refers to the process by which corporations can assess behavioural information and concrete characteristics regarding consumers' *state of wants-satisfaction* within a market, facilitating strategic action (Allenby et al. 2002).

In the context of the market segmentation analysis, we can distinguish between *ex-ante* and *ex-post* market segmentation. The main disparity between the two approaches regards the fact that, while *ex-ante* research aims to uncover motivations and conditions to one's activity, the *ex-post* method investigates consumers' needs and satisfaction toward a specific product category (Allenby et al. 2002). Regarding the latter approach, it is worth mentioning that at this stage researchers investigate consumers' insights only after their preferences have been expressed (Allenby et al. 2002). One of the methods used to gather sentiments/ratings about product attributes is, precisely, conjoint analysis.

In the paragraphs that follow, we will undertake an *ex-post* segmentation, isolating the partioants whose characteristics match those of the Hard Seltzers target segment.

Before we start analysing, it's important to mention that while our case aligns suitably with the ex-post segmentation method, it still has some limitations. Among these, Allenby et al. (2002) indicate that the main limits pertain to the inability of this approach to identify the real motivations of individuals' choices and to individuate potential *market growth opportunities*, being consumers as conditioned by the current technological constraints (i.e., the consumer is proposed with a set of pre-determined products).

### 5.4.1. Analysing Target's Preferences

As part of the preliminary research, an expert interview was conducted with Phunk's founder, which is one of the most-known brands in Portugal within the Hard Seltzer category. During our conversation, he outlined the typical consumer of Phunk (and, in general, of Hard Seltzers), specifically: *individuals roughly between 22 and 35 years old, who have already initiated their professional career and enjoy socializing and partying, however, they still have a mindful approach toward their alcohol consumption and dietary habits*.

Subsequently, through the software Conjoint.ly we generated a new report regarding only the preferences of the new segment called *Target*. The sample size shrank to $n$ = 91, and was selected by imposing simultaneously the following conditions:

- To be Portuguese or to live in Portugal;
- To belong either to the age class (*18-24)* or (*25-34*);
- To have initiated a professional career (i.e., selected option *(Self-) Employed*);
- To have chosen at least one of these options in Q12 about Occasions: *Bar*, *Club*, *Party*, *Festivals*.

Consistently with the structure of the Conjoint Analysis Chapter, the following analysis will regard the salient points of Target's preferences in *Drinking Habits*, *Attributes*, and *Levels*. A 95% confidence interval is considered throughout the analysis.

5.4.1.1. *Target*: Limitations

Before delving into the analysis of the segment *Target*, it is crucial for the reader to be aware of two limitations this segmentation presents. First of all, imposing the previously mentioned four conditions to draft the new segment led to the sample size shrinking to 91 respondents. This figure is evidently much lower than the recommended sample size $n$ = 200. Therefore, the analysis should be taken into consideration with caution.

Second, classes of ages do not exactly correspond to the age range *22-35*, thus this sample may omit some relevant responses or, contrarily, incorporate participants under the age of 22.

### 5.4.2. Other Sample Characteristics

Regarding the *Gender* composition of the segment, 60.4% identified themselves as male while 39.6% as female. These figures are at odds with the entire sample structure, composed of 61.8% females and 38.2% males.

When it comes to Age, instead, 38.5% of the segment belongs to the 18-24 age range while 61.5% to the 25-35 class. The average age for the *Target* is 26, determined by applying the formula for the average of classes of intervals.

### 5.4.3. Drinking Habits

To begin with, occasions in which *Target* usually consumes alcoholic beverages were examined. Keeping in mind the identity of the target consumer described above, it is reasonably predictable that *University Events* will be excluded from the choice set, and that events implying sociability will present the highest values.

In accordance with our assumptions, the most common occasions of consumption for alcoholic beverages are *bars* (95.6%), *parties* (93.4%), *clubs* (87.9%), and *festivals* (75.8%). These results slightly differ from the preferences expressed by the entire sample (Table 11).

***Table 11 – Comparison of Drinking Habits: Occasions***

| **Occasion Ranking** | **Target (*n* = 91)** | **Sample (*n* = 204)** |
|---|---|---|
| **1** | Bar (95.6%) | Party (92.6%) |
| **2** | Party (93.4%) | Bar (89.2%) |
| **3** | Club (87.9%) | Club (84.8%) |
| **4** | Festivals (75.8%) | Festivals (71.1%) |
| **5** | Beach (33%.0%) | University Events (31.4%) |
| **6** | Home (16.5%) | Beach (24.0%) |
| **7** | University Events (8.8%) | Home (15.7%) |

Moreover, for the segment analysed in this Chapter, *Home* is no longer the least chosen option, counting for 16.5% (vs. 15.7%). A higher percentage for the occasion *Bar* and *Home* may depend on the different lifestyles and ages of professionals.

Secondly, *Target*'s *go-to* drink was examined. Among the four options proposed (*Hard Seltzers*, *Beer*, *Cider*, and *Wine*), again beer was the preferred *go-to* drink with 70 choices (76.9%), while the second most chosen beverage was wine (49.5%). Both these beverages were chosen, in proportion, more times by the target segment (*n* = 91). Contrarily to the previous scenario, Cider and Hard Seltzer account respectively for the same percentage 8.8%, which is reasonable both for the newness of this category in Portugal and the higher average age of the segment.

### 5.4.4. Attribute Partworths

This section will explore which attributes are, on average, most significant to the *Target* segment (Appendix 24). Similarly, to previous findings, *Flavour* is the attribute of utmost importance in relation to the remaining attributes chosen (40.3%).

In this case, *Sweetness* became the second-most valued attribute, with a relative importance of 15.7%, followed by *Calories per can* (14.2%). This sample (*n = 91*) expresses a sharper preference for the second level, relative to the third.

Another discrepancy worth to be noted is that *Pack format* is ranked fourth for importance (11.1% vs. 9.2%), while *Price* is only fifth (10.0%). The slightly lower relevance of the attribute *Price* may be due to the greater ability to pay, compared to the entire sample containing Students and Unemployed individuals.

Only two out of the seven attributes demonstrated a low relevance in influencing consumers' choice, respectively in decreasing order *Carbonation* (5.6%), *Volume* (2.9%). These outcomes match the whole sample findings. Table 12 below provides a comparison of the Attribute Partworth Ranking between the two samples.

***Table 12 – Comparison of Attribute Partworths: Relative Importance***

| **Attribute Partworths Rank (Relative importance)** | **Target (*n* = 91)** | **Sample *n* = 204** |
|---|---|---|
| **1** | Flavour (40.3%) | Flavour (40.9%) |
| **2** | Sweetness (15.7%) | Calories per can (14.8%) |
| **3** | Calories per can (14.2%) | Sweetness (14.6%) |
| **4** | Pack format (11.1%) | Price (11.3%) |
| **5** | Price (10.0%) | Pack format (9.2%) |
| **6** | Carbonation (5.6%) | Carbonation (6.6%) |
| **7** | Volume (2.9%) | Volume (3.0%) |

Constraints illustrated in Paragraph *5.3.4.1. Attribute Partworths: Limitations* regarding the *Flavour* and *Price* attributes remain valid.

## 5.4.5. Level Partworths

Analogously to Conjoint Analysis Chapter, each Level's importance will be examined, using once again the Conjoint.ly 0-centred graph. Once more, the most preferred levels on average are assigned high positive values, whereas the least favoured levels (on average) are assigned negative values. A comprehensive Table of results is consultable in Appendix 25. Coherently with the former examination of attributes' partworths, attention will be focused on the five most important attributes for consumers (Relative importance ≧ 10%), respectively *Flavour*, *Sweetness*, *Calories per can*, *Pack format*, and *Price* (Table 12).

To begin with, the preferred level by the segment Target for *Flavour* is *Lime & Ginger* (17.4%). *Mango & Maracuja* ranked second this time (14.2%), while *Lime* remained in third position (13.3%). Despite the top three favoured levels being consistent with those of the entire sample (though in a slightly different order), it is worth noting that the *Target* segment expressed more pronounced preferences between different levels. This contrasts the general findings, in which the favouritism between the first and second levels seems virtually negligible. Once again, berry flavours were the least valued. Among them, *Blueberry* presents an even lower value (-25.3%), followed by *Redberries* (-18.1%), *Cherry* (-13.5%), and *Melon Berry* (-13.1%).

When it comes to *Sweetness*, the level *Low Sweetness* is once again the most preferred, assigned of a higher value than in the total sample (8.0%). This is evidenced by the higher relative importance of the attribute *Sweetness* for the *Target*, ranking second, instead of third, with a relative importance of 15.7%, against 14.6% (Table 2). Using the same reasoning, one can justify the outcome for the levels of 65 kcal (7.7% against 9.2%), *Can* (6.4% against 4.4%), and *Price* (4.6% against 6.2%). It is recommended to consult Table 13 below, to have a detailed comparison between the segment *Target* and the sample.

Lastly, the values for *Carbonation* and *Volume* levels remained significantly close to the findings for the entire sample.

Table 13 below, offers a comprehensive comparison of the preferences and Ideal Profiles of the entire sample and the *Target* one. In addition, the values denoting the relative importance of attributes and levels have been reported again, to emphasize the most significant disparities.

Once again, the limitations illustrated in Paragraph *5.3.5.1. Calories per can: Limitations* regarding the *Calories per can* attribute, remain valid.

***Table 13 – Comparison of Ideal Profiles and Partworth Utilities***

| **Ideal Profile<br>Sample *n* = 91** | |
|---|---|
| *Flavour*<br>*(40.3%)* | ***Lime & Ginger***<br>***(17.4%)*** |
| *Sweetness* | ***Low Sweetness*** |

| **Ideal Profile<br>Sample *n* = 204** | |
|---|---|
| *Flavour*<br>*(40.9%)* | ***Mango & Maracuja***<br>***(16.9%)*** |
| *Calories per can* | ***65 kcal*** |

| | |
|---|---|
| *(15.7%)* | ***(8.0%)*** |
| *Calories per can*<br>*(14.2%)* | ***65 kcal***<br>***(7.7%)*** |
| *Pack format*<br>*(11.1%)* | ***Can***<br>***(6.4%)*** |
| *Price*<br>*(10%)* | ***€0.99***<br>***(4.6%)*** |
| *Carbonation*<br>*(5.6%)* | ***Low Carbonation***<br>***(1.0%)*** |
| *Volume*<br>*(2.9%)* | ***33 cl***<br>***(0.7%)*** |

| | |
|---|---|
| *(14.8%)* | ***(9.2%)*** |
| *Sweetness*<br>*(14.6%)* | ***Low Sweetness***<br>***(7.0%)*** |
| *Price*<br>*(11.3%)* | ***€0.99***<br>***(6.2%)*** |
| *Pack format*<br>*(9.2%)* | ***Can***<br>***(4.4%)*** |
| *Carbonation*<br>*(6.6%)* | ***Low Carbonation***<br>***(1.1%)*** |
| *Volume*<br>*(3%)* | ***33 cl***<br>***(1.0%)*** |

### 5.4.6. Key Findings

To summarize, the process of further segmenting the sample and isolating the potential target market for Hard Seltzers may provide companies with an advantage in developing more appealing products and effectively marketing them. Although the two Ideal Profiles exhibited in Table 3 above are nearly equivalent, except for the *Flavour* levels, the preceding analysis pointed out two noteworthy observations. On the one hand, the main discrepancies between the two samples pertain to the relative importance of Attributes. On the other, *Target* usually expressed sharper preferences in both attributes and levels, indicating specific tastes.

## 6. Discussion

The following part will summarize key findings from all parts of the thesis in order to answer the research questions posed at the beginning of this paper. While research question one will mainly be answered by consulting the data analysis of the factor analysis and perceptual map, research question two refers primarily to outcomes of the conjoint analysis. Although a significant part of the answers to these questions is provided by these two methods, it is also essential to compare them with the data in the literature analysed. Overall, the study allowed to generate meaningful insights on the perceptions and preferences of consumers in the Portuguese markets regarding alcoholic beverages and Hard Seltzer in particular.

**The first research question of this paper is:**

*"What are the prevailing attitudes and perceptions among Portuguese consumers towards Hard Seltzers in comparison to beer, wine, and cider?"*

Hard Seltzer is perceived as the healthiest and youngest beverage out of the four. This finding of Hard Seltzer being perceived as a young alcoholic beverage is backed by input from both literature review and background section of this paper. In fact, more than two thirds of Hard Seltzer consumers in the US are below the age of 44 (Harris Poll 2021), which makes it clear that the beverage is more appealing to a younger target group. In addition, 79% of respondents in the preliminary interview characterized the beverage as "young". Regarding the positioning in the perceptual map, the most comparable beverage to Hard Seltzer is cider. The proximity of the two beverages might indicate that they are perceived as substitutes for each other. The considerations surrounding the young attribute are also applicable to the cider market, given that over half of Portuguese cider consumers are under the age of 35 and the consumption of this beverage typically declines with age (Marketest 2019). This is supported by the fact that 86% of respondents in the preliminary interviews describe cider as a young or even teenage beverage.

Although cider and Hard Seltzer are closely positioned, consumers perceive cider as a more refreshing and convenient option. The convenience attribute can be viewed from two angles: ease of transport and consumption provided by the packaging; and accessibility of the product for purchase. In recent years, demand for convenience has driven the growth of Hard Seltzers, with innovative packaging (cans, boxes, and multipacks) playing a crucial role in attracting consumers (Lin n.d.). However, in Portugal, Hard Seltzers are usually sold individually in supermarkets, while beer and cider can be purchased in multipacks. According to the preliminary interviews, 14% of consumers would increase their consumption if Hard Seltzers were sold in multipacks. The primary reason cited for this preference was the ease of transportation that this packaging offers. Additionally, Hard Seltzers are not as widely available in bars, restaurants, and clubs compared to cider. In the consumer interviews, 86% of participants stated that greater availability in these establishments would make them drink hard category. Although convenience provided by the ready-to-drink beverages was identified as a market driver for this category in the United Stated, the results indicate that Portuguese consumers are not yet convinced. Indeed, only two interviewees stated convenience when asked which feature makes them choose Hard Seltzer over any other alcoholic beverage. The lack of Hard Seltzer availability in the Horeca channel poses a barrier to its consumption, especially considering that Portuguese consumers prefer to drink alcoholic beverages outside of their homes (Statista 2023).

In addition, cider is perceived to be the least healthy beverage. This might be because cider is made by fermenting fruits that have a naturally high sugar content (Bell n.d.) and thus has a significantly sweeter taste. Somersby recently introduced a 0% ABV cider option to the Portuguese market. As mentioned before, cider and Hard Seltzer are located in close proximity to each other on the perceptual map which indicates a similar profile in consumers' minds. This measure could thus be attributed to the general health trend and the fact that with Hard Seltzer a new direct competitor has entered the market and competitiveness needs to be secured.

Beer scores very high on several attributes and is perceived as the most fun beverage. This is in accordance with previous research which states that beer is a very versatile drink, associated with informal gatherings and thus identified as fun (Pettigrew and Charters 2006; Kim and Chintagunta 2012). Furthermore, beer is perceived to be the most refreshing, convenient, and masculine beverage. Interestingly, our analysis showed that beer was not strongly associated with healthiness by participants and was considered the second least healthy beverage. This is contradictory to the information gathered in the background section of the paper, which suggests that the beer market is growing due to trends in responsible consumption, health, and well-being (Hipersuper 2023). Furthermore, 69% of beer consumers report actively trying to maintain a healthy diet (Statista 2022) and beer was regarded as the second healthiest alcoholic beverage by the Portuguese, following wine (Silva et al. 2017). The Intention-behaviour gap theory can help explain the discrepancy between the high percentage of beer consumers who report trying to maintain a healthy diet and the finding that beer is considered the least healthy beverage. This theory suggests that people often intend to behave in ways that are consistent with their goals, but there may be factors that prevent them from doing so (Conner and Norman 2022). In this case, it is possible that beer consumers have an intention to maintain a healthy diet, but when faced with the opportunity to drink beer, they may prioritize other factors such as enjoyment or social pressure. According to Faries (2016), intention can be a poor predictor of actual health behaviour change. This is also supported by findings from the conjoint analysis, in which participants stated that beer is their most preferred drink.

Wine is considered as incorporating the highest amount of alcohol, nevertheless, it has the second highest rating for healthiness. According to literature review, wine is perceived as the healthiest alcoholic beverage by Portuguese consumers. However, our findings show that Hard Seltzer is considered slightly healthier. This might be because Hard Seltzer has only been available for a short period of time in Europe, especially in Portugal. With rising awareness and time on the market, perceptions might move in this direction.

In addition, the marketing and communication strategy for Hard Seltzer aims to be gender-neutral and lifestyle-cantered. However, our research data suggests that it is predominantly perceived as a feminine drink. This perception aligns with existing literature, which indicates that alcopops and ciders are primarily consumed by women. Moreover, our conjoint analysis survey reveals that Hard Seltzer is the preferred drink for 20.6% of females, while only 3.8% of males favour it. This clear gender disparity highlights a potential gap between the intended impact of the communication measures and the current level of awareness regarding the drink and its associated lifestyle. Also, the current communication measures may not be effectively reaching or resonating with male consumers.

**The second research question of this paper is:**

*"Which specific attributes of Hard Seltzers do consumers in Portugal prefer, and what improvements can major market players make to their products based on these preferences?"*

The results are differentiated for two groups: the entire sample and the target group identified through the expert interview. It can be observed that the sample and target assign a different level of importance to the different attributes. Flavour is the most important attribute for both groups which was also mentioned by 86% of respondents in the preliminary interviews and stated as main driver of consumption and preference in various previous research (Wolf, Wolf and Lecat 2022; Johnson et al 2016; Thibodeau and Pickering 2019; Santos and Almeida 2019). This was also confirmed in the expert interview with the founder of Phunk, who stated that the variety of flavours is the main aspect that makes consumers choose the beverage instead of others.

The subsequent attributes are also identical in total, but not with equal ranking. In the total sample *Calories per can* are valued second most, followed by *Sweetness, Price* and *Pack Format*. While the target group values *Sweetness* second most, followed by *Calories per can*, *Pack Format* and *Price*. Thus, *Volume* and *Carbonation* have the least impact on consumer decision making. Results from the conjoint analysis have shown that a low level of carbonation would be preferred and 36% of respondents in the preliminary interviews felt that the carbonation level was too high, and they would prefer a less fizzy version, although the carbonation level of Hard Seltzer is only categorized as moderate (Anderson and Jacobson 2021). However, it is important to mention that carbonation enhances sour tastes and decreases the sensation of sweetness (Hewson et.al 2009). Overall, the results are very homogenous when it comes to comparing both groups.

Regarding *Price* the results showed an almost linear relation. The lowest price points €0.99 and €1.49 show a positive preference, while the more expensive levels €1.89 and €1.99 resulted in negative preference. The slightly less negative preference for the highest price point might indicate that consumers associate a higher price with higher quality and would therefore be willing to pay more. However, price is not one of the most valued attributes in the consumer decision making, which could be due to the fact that buying (alcoholic) beverages is a rather low involvement purchase. In fact, a research study looking into the relationship between alcohol price and brand choice found that young adults did not report preferring or choosing the least expensive brands. Instead, they reported consuming specific brands even if the price was higher than other alternative drinks or brands (Albers et al. 2014). Indeed, this can be observed in the preliminary interviews where 93% of respondents stated that they have been drinking Phunk, which is the most expensive Hard Seltzer brand on the Portuguese market. This contrasts with previous research that has shown that price is one of the most influential drivers of alcoholic drink choice (Thibodeau and Pickering 2019; Santos and Almeida 2019; Silva et al. 2017). Additionally, 92% of respondents in the preliminary interviews mentioned price as one of the main factors influencing their purchase decision. These studies demonstrate that the influence of price in alcoholic beverages is complex, and it depends on several factors such as individual preferences, beliefs and perceptions of each drink.

The highest valued attributes besides *Flavour* are *Sweetness* and *Calories per can.* These results are in line with the findings of the Nielsen Global Health and Wellness survey referred to in the background section since the survey showed that especially younger consumers want to live a healthier life. In fact, an open-ended question at the end of the conjoint analysis has shown that most participants would like to change the sweetness by reducing the amount of sugar or using less nauseating tastes. Calories were not mentioned as often since Hard Seltzers are already a low caloric alcoholic beverage.

Regarding the total sample, the preferred flavour was “Mango & Maracuja”, with a calorie content of 65kcal, low sweetness and low carbonation. The preferred packaging is in cans with a volume of 33-centilitre at a price point of €0.99. When it comes to the target group, characteristics of the drink are the same except for flavour. Here the most preferred one is “Lime & Ginger”, and results show a higher percentual gap to the second most preferred.

**Further Insights:**

Additional questions and a thorough analysis of the results allowed to generate some further insights. Hard Seltzer is the least chosen go-to drink, while beer and wine are the preferred options which is in line with findings from literature review and contextual background. When analysing the correlations between the choice of go-to drinks, it is important to mention that Hard Seltzer has a negative correlation with beer but a positive one with wine. This could be related with wine and Hard Seltzer being perceived as healthier alcoholic beverages and both having a natural absence of gluten. The perceived healthiness could also be identified in the perceptual map since Hard Seltzer and wine scored the highest values for the attribute *Healthiness*. Furthermore, as stated on the Background, American consumers entering the Hard Seltzer category display a higher degree of involvement with wine, indicating a willingness to pay premium prices. Although we are not able to prove that the same happens in Portugal, the positive correlation between Hard Seltzer and wine might also mean that these two drinks are consumed in different drinking occasions, with wine being selected for more formal/ special occasion and Hard Seltzers for more casual situations. Interestingly, wine is perceived as the least “fun” beverage. This perception is in line with findings from literature review since wine is considered to be consumed in settings that convey relaxation like consumption at home, with restaurant meals or celebrations (Pettigrew and Charters 2006; Thibodeau and Pickering 2019). In this context, the notion of a "fun" beverage is typically associated with its consumption at parties and social outings, rather than during formal celebrations or mealtime occasions. In addition, previous research has discovered that young wine drinkers are the most likely to consume Hard Seltzers when compared to other consumers (Wolf et al. 2022). This suggests that consumers of Hard Seltzer and wine might share similar drinking preferences and this in turn could have an influence on marketing measures.

Furthermore, it can be noticed that in the data from the perceptual mapping, the attributes *Level of Alcohol* and *Healthiness* are almost uncorrelated. In addition to that, most participants of the conjoint analysis answered *yes* when asked if they are interested in Hard Seltzer with a higher percentage of alcohol. This seems contradictory in the first place. However, in the background section the concept of “sober curious” was introduced, which implies that especially younger consumers striving for a healthier lifestyle abstain from alcohol, at least occasionally. This could imply that younger consumers are aware of the negative effects of alcohol and instead of focusing on alcohol content, practice a more conscious approach to alcoholic beverages.

# 8. Recommendations

## 8.1. Managerial Implications

### 8.1.1. Introduction and key findings

The purpose of this section is to discuss all main managerial implications, resulting from the analyses already being carried out.

Concerning the key findings, with regards to the perceptual map, the overall results showed that Hard Seltzer would score the highest with regards to the attributes ‘young’ and ‘healthiness’, as the main segment being targeted was composed of the youth. In terms of alcohol percentage, Hard Seltzer was ranked as the lowest, proving that people would in general be misled by the taste of Hard Seltzer.

From the conjoint analysis, the main takeaway was that consumers would prefer making mindful choices rather than the ones simply driven by price. Nonetheless, the range of prices seemed to be too narrow, thus leading to potential deficiencies in the final conclusions.

The following part will be aimed at stating all main implications, in terms of marketing strategy, according to the previous results as well as based on the main segments to be reached within the Portuguese landscape. Afterwards, further implications for future product development will be introduced, especially with regards to the main factors to be considered when launching a new related product. A further part is dedicated to exploring further implications for distribution and retailing; in particular, how to make informative decisions – in terms of product placement, channel selection and promotion – so that to maximize both sales and profitability. The latter part summarizes all what already been discussed, and it outlines relevant conclusions.

### 8.1.3. Implications for Marketing Strategy

To develop an effective and efficient marketing strategy, marketers must have a thorough understanding of the characteristics of their consumer segments. This knowledge will allow them to create connections with consumers and promote what they value most. For new products, such as Hard Seltzers, marketers need to tailor their strategy to each market and recognize the differences between individual segments.

While Hard Seltzers are a highly popular and consumed product category in the United States, research and preliminary interviews have revealed that the Portuguese market, including some Hard Seltzer consumers, are highly unfamiliar with the category. In fact, some Portuguese consumers are drinking Hard Seltzers without realizing that the product belongs to this category. This lack of familiarity can lead to difficulties in ordering the product or finding a place to purchase it.

To tackle this lack of knowledge from the consumers, marketing efforts should focus on building awareness, for both brand and category. According to Waehrens et al. (2013), category familiarity can be built with education and repetitive exposure to the product and its message. However, it has been proven that repetition of unfamiliar content is highly ineffective and hard to learn. Therefore, an unknown brand or category should present itself together with familiar content that can increase learning and reduce stress responses. This strategy can include collaborating with famous familiar brands that are non-competing with the product to build trust and connection with consumers. Brands could also find ambassadors with strong reputation and characteristics that can be associated with the product.

Additionally, the lack of an official translation of the category name into Portuguese is a significant barrier for consumers seeking to understand and relate to the product. Our findings revealed that consumers are only familiar with the category when they see the Phunk brand, which underlines the lack of familiarity with it. To help with identification, we had to include an image of the brand in the perpetual map survey, further emphasizing the issue. While this attests to the brand's success and top-of-mind awareness, it poses a challenge. The process of a brand name transforming into a generic term for a product type, commonly known as "genericization," has happened with notable brands such as Google, Zipper, and Yo-yo. Restraining "genericization" requires significant expense, involving extensive corrective advertising and consumer re-education. However, the cost associated with inaction can be even higher, leading to the brand losing all recognition as a registered trademark and being reduced to a mere descriptor or generic term (Hey 2016). Brands fear that when a name seeps into a common language, it risks losing all its established value and recognition, thus diluting brand identity (Kaiushik n.d.). Therefore, creating an official Portuguese translation for the category name is fundamental to improving consumer understanding, driving category growth, and preventing "generalization" from happening to Phunk.

Promotions at the Point of Sale are another strategy hard seltzer brands could use to bolster customer awareness within the category. A possible approach could be offering free samples of Hard Seltzer in supermarkets, providing customers with the opportunity to try the product. To further engage customers, the integration of gamification can be considered, where customers are encouraged to participate in a flavour guessing game for a chance to win prizes. This strategy would not only increase product visibility but also creates a positive and memorable interaction, potentially leading to immediate and future purchases.

For these efforts to be effective Hard Seltzer brands will also need to clearly define their segment in Portugal. According to our research, current Hard Seltzer consumers are also wine drinkers, out-of-home drinkers, and health conscious. This information can be used to tailor campaigns, form partnerships and create content that resonates with the consumer needs. For instance, Hard Seltzer brands can promote their products in out-of-home consumption places such as bars, restaurants, and clubs. They can also acquire third party data from wine brands to better target their marketing campaigns and understand their customers.

Marketing strategies should also be consistent with the product characteristics and follow the regulations of marketing alcohol in Europe. Currently, some Hard Seltzer brand packaging and advertising materials promote their product highlighting its low calorie and zero sugar content. Even though these characteristics are highly valued by consumers, in our study most participants associated this product with excessive sweetness. This perception may be strengthened by the misleading communication of the zero-sugar content with a highly sweated flavour. Research has shown that consumers are more likely to experience disappointment when a beverage labelled as zero-sugar turns out to be sweet, as their expectations for this product is low sweetness (Eertmans, Baeyens and Parys 2020). For this reason, in the future, is it important to address these misleading expectations by adding to the label the source of the sweetness, so that consumers have true expectations of the flavour. For instance, the packaging can contain labels such as, high sweetness, sweetened with stevia or non-caloric sweeteners to prone the consumer to the actual flavour. Building upon the idea of product and strategy consistency it is also important to highlight that even though this product is consumed by health-oriented consumers the consumption of alcohol is not considered healthy and it is prohibited by the EU to promote health claims for alcoholic beverages containing more than 1.2% vol (STAP 2007). In this regard, ethically and under the EU law this product should advice its consumers on the risks of its consumption to avoid damaging the brand´s and category reputation.

Regarding the pricing strategy, for Hard-Seltzer consumers, price is not important attribute to consider at the purchase decision making process. However, according to our research, most consumers prefer to pay the lowest price, which in Portugal corresponds to $0,99 for the Pure Piraña brand; while other consumers have preference for the most expensive brand, priced at $1,99 in Portugal. In that regard, consumers in this segment may be willing to pay a premium price for a premium product. Currently, competition is low and therefore price comparatives may be done with other alcoholic beverages alternatives, such as cider, and beer. In this case, Hard Seltzer brands should attract consumers by offering a lower competitive price from their substitutes. Alternatively, to compete with a higher price, brands can develop and promote a premium version with an added value from the current product. For instance, Hard Seltzer consumers may value health related attributes such as organic ingredients and healthier sweeteners.

**8.1.4. Implications for Product Development**

During our research consumers expressed their preferences revealing ways in which the product can be improved for the Portuguese market, and new versions of Hard Seltzers can be created. In this regard, consumers would prefer a canned product, with low-sweetness, low carbonation, 65 calories and with Lime & Ginger and Mango & Maracuja flavours. Even though these results do not mean that all Hard Seltzer products should have these exact characteristics, it does reveal some trends that can be used to test a new version of the product.

Starting with taste, according to our research, this trait can be improved by reducing the sweetness and the carbonation, even if this second factor is not the most influential in the decision-making process of this consumer segment. When developing the product, it is important to consider that these 2 attributes (sweetness and carbonation) affect the perception of each other (Piggott and Chambers 2012; Thibodeau and Pickering 2019). As referred in the literature review, high carbonation affects the perception of sweetness by reducing its sensation. Therefore, to develop an ideal product, brands should prioritize the low-sweetness taste over low carbonation. Furthermore, it is essential to consider that taste perception varies across consumers, as highlighted in the literature review, there are consumers with high sensitiveness to sweet Flavours and other consumers with low sensitiveness, therefore the same amount of sweetener in a drink can be perceived differently. In this case, to better develop a product, brands can test multiple versions and ultimately launch various versions with different amount of sweetener, always indicating the expected overall sweetness in their packaging to avoid misleading cues.

As previously mentioned, the results of the survey revealed that the most popular flavour among the entire sample was Mango & Maracuja, while Lime & Ginger was the preferred choice among the *Target* segment. These findings suggest that consumers are drawn to the unique taste profiles of hard seltzers that blend fruits and vegetables together in a single flavour. This observation suggests an interesting opportunity for companies to explore. By experimenting with different flavour combinations, businesses can cater to consumer preferences and potentially boost engagement with their brand. Furthermore, introducing limited editions or seasonal variations could enhance the sense of exclusivity and novelty, further captivating consumers and encouraging their participation. By exploiting this, companies can create a dynamic and ever-evolving line-up of flavours, attracting both existing and potential customers.

In regard to the container development, contrary to what previous research on packaging found, and following with the industry trends, Hard Seltzer target segment prefers can over bottle. The reason for this preference is still unknown. However, for product development this packaging represents lower costs and easier waste management. Additionally, the preferred size of the packaging is consistent with the current can content of 33 centilitres. Consequently, it would be recommended to continue using the current packaging. Nonetheless, in case that the brand would be interested on developing a premium product, glass bottle container may be ideal to communicate higher quality and value as proven by research.

Finally, on our research, consumers expressed an interest on a Hard Seltzer product with a higher concentration of alcohol. If a brand decided to launch a product with this characteristic it should be considered that a higher concentration of alcohol will influence the overall taste, affecting the perceived sweetness and bitterness of the drink. Additionally, the overall calories of the drink will also be affected and therefore brands should have to test this version in Portugal and adjust it according to the market preferences.

#### 8.1.5. Implications for Distribution and Retailing

Given the results from the conjoint analysis, which suggest that prices shall not be considered as the main drivers, it follows that the implications in terms of product placement and related shall focus more on empowering consumers to make mindful choices.

In the minds of consumers, Hard Seltzer and cider are closely positioned. Hence, a suitable strategy could be placing these two beverages near each other at the supermarket. By physically grouping Hard Seltzer and cider together on store shelves or in dedicated display sections, retailers can tap into the perceived association between the two products. This strategic placement might reduce customer confusion at the point of sale and improve the shopping experience. When consumers are looking to purchase Hard Seltzers, they would naturally expect to find them located near the cider section. This intuitive arrangement eliminates any potential frustration or uncertainty during the shopping experience. Additionally, it facilitates cross-category visibility, as customers who are browsing for cider may come across Hard Seltzers nearby, leading to increased exposure and potential trial.

In terms of channel selection, being Portugal a country with relatively small shops and only few main supermarket chains, the wholesale channel might be the most suitable option. In that sense, the producer – in this case the Hard seltzer's manufacturers – would sell the product to a wholesaler/distributor, who in turn would reach out to the retailer, then making the product available to the final consumer. In addition, according to our findings, most Portuguese young adult consumers prefer drinking alcoholic beverages outside-of-home, therefore Hard Seltzers should also be distributed in Horeca channels such as bars, restaurants, and night clubs. This will allow the category to increase their availability and convenience of their product, as well as build brand awareness by being repetitively mentioned in menus.

Regarding the packaging distribution, companies can benefit from the can packaging preference as this container is easier to transport, store and recycle, reducing their carbon footprint throughout their manufacturing and distribution process. Furthermore, Hard Seltzer brands can leverage on the consumer preference of multi-packages by increasing sales and consumer satisfaction. This type of packaging can also include different flavours to meet the preferences of different segments, as well as encourage to try new flavours that may be different to the consumer initial flavour expectations.

Moreover, given the key role played by parties and events in gathering people, it might be effective to strike up some partnerships with the main organizations engaged in the events' promotion.

### 8.2. Limitations and Future Research

The study's findings offer important insights into the Hard Seltzer category, but it is crucial to acknowledge its limitations. This discussion highlights these limitations and provides recommendations for future research.

*Biases in Qualitative Interviews*: The study employed qualitative interviews to gather information about consumer perceptions and experiences related to Hard Seltzers. Although these interviews proved to be a valuable tool and served as a starting point for the research, there are some limitations we need to consider. One potential limitation is the presence of response bias among participants, which occurs when individuals do not answer questions honestly for various reasons. On the one hand, social desirability bias may lead interviewees to provide socially acceptable answers that are not entirely truthful, such as participants underreporting their drinking habits to avoid being perceived negatively by others. On the other hand, courtesy bias occurs when respondents tend to be polite toward the researcher, resulting in answers that align with the researcher's expectations. As the research delved into opinions regarding Hard Seltzers, participants may have avoided giving negative or unpopular responses to please the researcher (Nikolopoulou 2023). Another limitation to consider is confirmation bias. This cognitive bias refers to the tendency for people to selectively interpret and prioritize information that confirms their existing opinions while disregarding information that contradicts them (Casad and Luebering 2023). In this case, the expert's perspective may be influenced by their affiliation with their company, causing them to focus on and highlight information that supports their company's position or interests. Nevertheless, these interviews were indispensable for collecting consumer information and comparing and validating findings from other sources.

*Newness of the Hard Seltzer category:* Hard Seltzers were first introduced in Portugal in 2020, meaning it is still in its infancy. As such, this newness presents significant limitations for research and analysis. The Portuguese Hard Seltzer market has limited available data, as opposed to the United States, where researchers have conducted numerous studies on the impact of Hard Seltzers on overall alcoholic beverage markets and consumer behaviours. This presented a significant challenge, as we were unable to compare or confirm our findings with prior research. Additionally, the limited understanding of the product presented a challenge in recruiting participants for interviews and surveys. Our research also revealed that most consumers who are familiar with Hard Seltzers are only aware of the brand Phunk. This suggests that their perceptions of Hard Seltzers may be influenced by their impressions of this brand rather than an accurate understanding of the product category as a whole. However, with the Hard Seltzer category growing and evolving, opportunities will arise for future research. One such area could be exploring consumer perceptions and preferences regarding the various brands available in the Portuguese market. Currently, consumers are familiarizing themselves with the concept of Hard Seltzer, resulting in limited awareness of the different brands. As the category matures, consumers are expected to develop more knowledge and understanding of the available brands.

*Sample Size and Convenience Sampling*: Due to the novelty of the category and limitations in terms of time and budget, we used a relatively small sample size for the perceptual map survey. We applied exclusion criteria to eliminate participants unfamiliar with the Hard Seltzer concept as they were unlikely to have developed meaningful perceptions about the product. Consequently, a total of 110 participants remained in the sample. Furthermore, convenience sampling, a non-probability sampling method, was used to recruit participants due to limited resources. The small sample size and convenience sampling can hinder the generalizability of the findings and induce sampling bias, as the sample may not represent the target population (Nikolopoulou 2022). In addition, our sample consisted of a higher proportion of female participants than male participants. Hence, it is possible that there is an overrepresentation of the preferences and perceptions of female consumers and underrepresents those of male consumers. Therefore, future research should employ a larger sample size with the same percentage of female and male participants to investigate the market, particularly as the category becomes more established and gains wider recognition. Alternative sampling methods, including stratified random sampling, may also be considered to ensure greater sample representativeness (McCombes 2019).

*Choice of Attributes:* A set of attributes were selected and examined in the perpetual map and conjoint analysis survey based on the findings from the literature review and qualitative interviews. However, we reduced the number of attributes owing to three primary reasons. Firstly, we aimed to avoid overwhelming participants with excessive questions to ensure a high engagement and response rate. Secondly, in the conjoint analysis, more attributes required more participants in the survey to obtain significant findings. Therefore, we eliminated some characteristics and levels due to difficulties in recruiting sufficient participants. Thirdly, the alcohol level was excluded due to its correlation with the attribute of calories. Given the availability of more distinct options concerning calories in the market, we examined the latter instead. Nonetheless, future research could explore the attribute of alcohol level, given that the category of Hard Seltzers is still evolving, and more distinct options may emerge with either higher or lower alcohol content. Additionally, it is pertinent to re-evaluate the attributes and test them on conjoint analysis when the market reaches maturity.

## 9. Conclusion

In conclusion, the findings of this study shed light on the research gap for perceptions, attitudes, and consumption preferences of Portuguese young adults towards Hard Seltzers. These results provide valuable insights for alcoholic foreign Hard Seltzer brands looking to enter the Portuguese market and Portuguese alcoholic beverage companies seeking for new product development. The study was conducted by a mixed-methods research design, including qualitative and quantitative information from literature review, consumers and expert's interviews, conjoint analysis, perceptual map, and a comparative analysis with wine, beer, and cider.

Overall results, from interviews, conjoint and perceptual map revealed that the Hard Seltzer category is highly unknown in the Portuguese market, where consumers recognize the beverage by the Phunk brand. These results imply the need to build category and brand familiarity, in case of introduction new brands, for which marketing experts suggest education, repetitive exposure and partnerships with familiar brands and people.

Furthermore, results from conjoint analysis indicate flavour, sweetness, and calories as the most preferred attributes, for which most consumers surveyed favour Mango & Maracuja flavour, 65 kcal, and Low-sweetness. In this case, inconsistency with literature review on low sweetness preference demonstrated individual and culture differences for taste perception and preference. Additionally, these findings provide insights for product improvement and development as well as possible segment targeting strategies.

Comparative analysis throughout the study with wine, cider, and beer revealed that cider is perceived as the closets substitute to Hard Seltzers probably due to its novelty in the Portuguese market and shared alcoholic content characteristics. In contrast, beer shares the least associated characteristics and consumers with Hard Seltzers. While wine and Hard Seltzer are both perceived as healthy and are consumed by the same segment. These results provide insights to identify the segment characteristics and behaviours, and the current Portuguese market perceptions.

Regarding drinking habit behaviours of Portuguese young adults, the targeted segment prefers consuming alcoholic beverages in out of home spaces such as bars, clubs, and restaurants. While when purchasing in retail consumers prefer the convenience of multi-packaging. These results shed light on the distribution channels through which the product may reach its targeted segment.

In conclusion, this study contributes to a better understanding of the market potential and young adult consumer behaviour related to Hard Seltzers in Portugal and provides a foundation for further research on this topic. Limitations on age, gender and convenience sample may be addressed in further research studies. Additionally, as this product is still new and unfamiliar to the market, further research can focus on the evolution on perception across time, as well as explore new attributes such as alcoholic concentration, beverage colour and packaging design.

## References


Costello, Anna B. and Osborne, Jason (2005) "Best practices in exploratory factor analysis: four recommendations for getting the most from your analysis" *Practical Assessment, Research, and Evaluation*. Vol. 10, Article 7.

Hair, J.F., Black, W.C., Babin, B.J. and Anderson, R.E. (2009) “Multivariate Data Analysis.” 7th Edition, Prentice Hall.

Howard, Matt C. (2016) “A Review of Exploratory Factor Analysis Decisions and Overview of Current Practices: What We Are Doing and How Can We Improve?” *International Journal of Human-Computer Interaction*, Vol. 32 No. 1, pp. 51-62.

Kohli, Chiranjeev S. & Leuthesser, Lance. 1993. “Product Positioning: A Comparison of Perceptual Mapping Techniques.” *Journal of Product & Brand Management*. Vol. 2 No. 4, pp. 10-19.

Pallant, Julie. 2016. “SPSS Survival Manual*”* McGraw-Hill Education (UK).

Statista. 2023. “Alcoholic Drinks – Portugal” Accessed April 20, 2023. https://www-statista-com.eu1.proxy.openathens.net/outlook/cmo/alcoholic-drinks/portugal

**Appendix**

**Perceptual Map**

Appendix 7: Component Matrix Comparison – Rotated vs. Unrotated (Varimax)

| | ***Unrotated*** | | ***Rotated (Varimax)*** | |
|---|---|---|---|---|
| | *Component 1* | *Component 2* | *Component 1* | *Component 2* |
| **Refreshing Effect** | 0.999 | | 0.941 | 0.337 |
| **Level of Alcohol** | -0.935 | 0.345 | -0.996 | |
| **Young** | 0.840 | -0.542 | 0.967 | |
| **Fun** | 0.787 | | 0.660 | 0.515 |
| **Masculine** | | 0.897 | -0.403 | 0.812 |
| **Convenience** | 0.621 | 0.773 | 0.351 | 0.927 |
| **Healthiness** | | -0.641 | | -0.688 |

Appendix 8: Component Matrix (without suppressing coefficients below 0.3 for coordination purposes)

| | Component | |
|---|---|---|
| | **1** | **2** |
| **Refreshing Effect** | .999 | .029 |
| **Level Of Alcohol** | -.935 | .345 |
| **Young** | .840 | -.542 |
| **Fun** | .787 | .286 |
| **Masculine** | -.132 | .897 |
| **Convenience** | .621 | .773 |
| **Healthiness** | -.254 | -.641 |

Appendix 9: Beverage Coordinates in the Perceptual Map

| | **Component 1** | **Component 2** |
|---|---|---|
| **Hard Seltzer** | 0,799 | -0,822 |
| **Beer** | 0,131 | 1,427 |
| **Wine** | -1,443 | -0,408 |
| **Cider** | 0,513 | -0,137 |