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GALLO: BRAND LAUNCH IN HUNGARY, EVALUATING THE POTENTIAL GEOGRAPHIC EXPANSION TO THIS MARKET:

MARKETING STRATEGY FOR GALLO IN HUNGARY

FRANCISCA FALCÃO FERREIRA SERENO SERRÃO | 25869

Work Project carried out under the supervision of

Professor Jorge Velosa

and the assistance of Carolina Lourenço

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1. Marketing Strategy

Increasingly, customers have differences in needs, thus firms should design their offerings according to their potential customers' preferences. To better develop a marketing strategy, a careful marketing process of segmentation, targeting and positioning should be pursued by a company. It is necessary to identify potential customers, select which customers a firm should pursue and end with a unique value proposition for the target customers (Gupta, 2014).

1.1. Segmentation

Segmentation divides the consumers into homogeneous groups that are heterogeneous between themselves (Tybout & Grayson, 2010). Although the process might seem daunting and can be considered as a strategy of last resort for some marketeers, without a proper segmentation of the market, companies would overlook opportunities. Segmentation is a fundamental step for a firm's marketing strategy, benefiting both consumers and organizations: consumers benefit from products tailored to their needs and organizations benefit from tailoring marketing efforts towards consumers who are likely to be most responsive to company's offerings, resulting in increased customer satisfaction and sustainable, maximized profits (Gupta, 2014; Tybout & Grayson, 2010). Segments may be distinguished through several definitions that have evolved, such as demographic and geographic characteristics and psychographic and attitudinal profile, e.g. personality traits and lifestyle. Nevertheless, the fundamental basis of segmentation is to try to understand why consumers make the decisions they do, thus segmenting the market based on usage patterns, benefits sought and related behaviors. This being said, an insightful and actionable segmentation requires a combination of different approaches, being important to understand who (demographic and geographic) is engaging in what behavior (usage) and why (psychographic and specific motivations) (Gupta, 2014; Tybout & Grayson, 2010). Furthermore, segmentation is only useful if it is identifiable, that is, a company should be able to identify customers and measure their characteristics. It also needs to be substantial, thus large enough so it allows a firm to serve it profitably. Segments need to be reachable through communication and distribution channels, otherwise, there is no value in creating a segmentation scheme. Segments should be stable over a long time and differentiable, so that different segments have different needs. Finally, segments should be actionable, that is, a firm must be able to create products that attract and serve the identified segments (Gupta, 2014).

To perform a market segmentation, both primary and secondary research were used (Mariana et al, 2020). As Gallo will be a new brand in the Hungarian market, the first step was to understand the fundamental basis of segmentation: the usage patterns of olive oil in Hungary, dividing the market into subgroups based on their current behavior patterns. Consumption of olive oil is very low in Hungary (0.4 kg per capita) and qualitative and quantitative research (Mariana et al, 2020) confirmed this pattern. Some consumers are used to regularly cook with olive oil. However, these consumers are a small portion of the total population, once the majority presents low or inexistent consumption of the product. Low consumption of olive oil is due to traditional Hungarian eating habits that involve frequent usage of sunflower oil or lard, leading to consumer's incorrect perception of a misfit between Hungarian cuisine and olive oil usage. Furthermore, being an importing country results in high prices within the category and, although household consumption has increased in the past years (KSH), purchasing power is still 38.9% of the European average (GfK) and consumers are price sensitive. This being said, in general, current usage is most likely to predict future usage (Tybout & Grayson, 2010) and understanding current usage helps to prioritize targets and designing marketing strategies to achieve firm's goals. Hence, consumers were divided into non-category users and category users. Considering the latter, consumers can be heavy users of olive oil, when they daily cook with olive oil for almost every meal, or light users of olive oil when they cook only specific dishes with olive oil. It was fundamental to understand not only behaviors/usage but also underlying motivations. According to Unilever's CMI (2019) reported data, 53% of the population is overweight or obese. To overcome this challenge, the government promotes public health measures to effectively respond to a public health crisis, e.g. by launching health product tax in Hungary, that has been improving nutrition literacy (World Health Organization). Furthermore, the purchase of healthy products is increasing and healthy trends are growing in the country (Passport, 2019). The conducted quantitative research shows that several respondents started using olive oil mainly because they were seeking a healthier lifestyle, translated in a shift to healthier eating habits (Mariana et al, 2020). Thus, being healthiness a central topic, segments were further classified according to underlying motivations, that is, having or seeking to have healthier eating habits. Finally, the generated segments were analyzed and understood in terms of the demographic, geographic and psychographic characteristics that distinguish them from each other. According to the conducted market research (Mariana et al, 2020), older consumers are more rooted to traditional eating habits, hence, olive oil users were mainly millennials and adults from 20 years old to 55 years old. Furthermore, city dwellers were also more likely to be olive oil users because countryside consumers are more attached to old and traditional cooking habits. Hence, the market was segmented regarding millennials and adults living in Hungary (demographic characteristics), lifestyle (psychographic profile), olive oil usage, underlying usage motivations and eating habits (behavior patterns). The result was composed by three different segments: “Lifestylers”, “Triers” and “Think it’s not for me” (Exhibit 1). “Lifestylers” are adults above 20 years old. They are mainly educated, city persons and have been living a healthy lifestyle. Health consciousness is embedded in their daily routines, with no exception regarding their eating habits, being olive oil the preferred oil when cooking and highly appreciating its taste and fine quality. “Triers” are adults above 20, who are conscious and willing to follow a healthier lifestyle than the one the Hungarian cuisine provides them, however, still attached to old habits. They use olive oil less frequently and the main difference to “Lifestylers” is that these consumers do not have the health consciousness already embedded on their lifestyle but they try to follow and achieve it. Finally, “Think it’s not for me" are traditionalist consumers with low education. Olive oil is considered as being one of the healthiest oils but it is hardly ever used due to its high price and perception of an inexistent link between the product and the Hungarian cuisine, preferring oils and fats such as sunflower oil, butter or lard. For a visual representation of final segments, a positioning matrix with two axes was created: the vertical axis revealed segment's usage of olive oil while the horizontal revealed healthiness of eating habits (Exhibit 2).

1.2. Targeting

After carefully segmenting the market, it is necessary to select which segment or segments the firm wants to focus on. Targeting involves evaluating the attractiveness of each market segment, selecting the ones that improve Gallo's chances of maximizing its long-term profitability. Therefore, in order to effectively choose the most profitable segment, each segment's attractiveness was assessed from 1 to 3, according to competition, company resources, company fit, segment size, growth rate, profitability, accessibility and differentiation (Gupta, 2014). The results of the assessment and a detailed explanation of it are presented in Exhibits 3 and 4. Taking into consideration the final evaluation, the two segments who are more likely to maximize Gallo's long-term profitability are "Lifestylers" and "Triers". Although the segment "Think it's not for me" ranks higher in segment size, there is no propensity for growth and the low or inexistent usage of olive oil makes it a not so profitable segment for Gallo. It is also more difficult to reach this segment since consumers are not entirely aware of the olive oil benefits and more resources should be applied to educate them. On the other hand, "Lifestylers" and "Triers" are smaller segments but with higher growth rates since consumers are shifting toward healthier eating habits. Moreover, usage of olive oil is higher, ending up being more profitable. It would not make sense to try a full market coverage strategy once "Lifestylers" needs are very different from those of "Think it's not for me". Hence, a selective specialization is suggested, that is, Gallo should select a "subset of all possible segments that share some exploitable similarities" (Kotler & Keller, 2016). "Lifestylers" and "Triers" are both olive oil users with a similar underlying motivation: they seek a healthier lifestyle, looking for products that take on this healthy journey with them. In fact, the selective specialization goes accordingly with the results obtained from the assessment made, thus choosing both segments would be the most adequate targeting strategy.

1.3. Positioning

Brand positioning is considered to be the intended meaning of the brand in the mind of targeted customers (Tybout & Grayson, 2010). "A successful segmentation strategy is one that yields a target for which the firm can develop a compelling positioning and meet its growth goals" (Tybout & Grayson, 2010). Besides being compelling to the chosen target, a positioning should provide a sizeable market and be defensible when facing competition. The competition-based approach will be used since it is the most suitable for Gallo entering a new market, allowing the target to obtain an initial understanding of how Gallo compares to alternatives in the same category (Tybout & Sternthal, 2010). For simplification, it can be summarized in a positioning statement, including four fundamental elements: target, frame of reference, point of difference and reason to believe (Tybout, 2019). As mentioned above, Gallo's strategy involves targeting two segments and appealing to both with a single positioning may fail because positioning will not be optimal for either (Tybout & Grayson, 2010). Thus, two positioning statements should be developed, one for each target. Firstly, the chosen target are "Lifestylers" and "Triers". The target description in the positioning statements should enumerate some target's features, described in the previous sections. Moreover, it should include insights about the motivation for category and brand use (Tybout, 2019), such as seeking a healthier lifestyle. Secondly, the frame of reference provides information about the category Gallo holds membership in, being necessary to share key features (Points of Parity) with other category members to credibly claim membership (Tybout, 2019). In this case, as consumers are familiar with the category, linking the brand to its category label rapidly brings to consumer's minds the goal they can achieve by using the brand, with no need to specify its points of parity, that is, when informing consumers that Gallo belongs to the premium olive oil category, it enhances the enjoyment of a tasty and flavourful meal, promoting a truly healthy lifestyle. This being said, for both segments, Gallo is characterized by belonging to the premium Southern European olive oil category, ensuring quality and trust once the best olive oils and the biggest exporters of the product are from this region. Having consumers who are familiar with the category makes it fundamental to establish Gallo's Points of Difference (POD). POD should be addressed to specify how superior Gallo is when compared to other brands from the same category (Tybout & Sternthal, 2010). Product's attribute such as bottle's distinct shape can be a POD, however, it is also easily imitable by competitors. Therefore, Gallo should focus on PODs that can become sustainable competitive advantages, relying on images that reflect existing consumers' belief. The chosen target is challenging since it is already being targeted by competitors. Moreover, other premium and well-known brands offer high quality olive oil to Hungarian consumers. Thus, Gallo should definitely offer a new benefit, not being claimed by any other brand in the market. Throughout the report, the target segments were described as being health conscious and concerned about having a healthy lifestyle. Bearing this in mind, Gallo should offer consumers more than a product and focus on offering the feeling of being the only olive oil that helps consumers truly twisting their lifestyle towards healthier daily routines. Being different from some competitors that take advantage of being an Italian brand, linked to Italian culinary habits, Gallo should make consumers feel it is possible to keep national cooking habits without compromising a real healthy lifestyle. Gallo, through its Clássico olive oil and Paprika olive oil, should position itself as a brand that accompanies consumers in their journey toward a healthier lifestyle, not by imposing them a change to other countries' eating habits but rather by offering them an innovative way to be a "Healthier Hungarian". Gallo should be a brand that walks with consumers along the journey: a brand that educates but also learns from them; that, step-by-step, offers them an innovative path towards a delightful healthy twist to their culinary experiences. For "Lifestylers" that already follow a healthy lifestyle, Gallo should be a brand that offers a healthy twist to an everyday culinary experience. On the other hand, for "Triers", Gallo should aim to increase their usage frequency of olive oil, positioning itself as a brand that will make it possible to maintain their old habits but cooked in a healthier way, providing them a healthy twist to their culinary experiences. Finally, Gallo's ownership of a healthy twist to every culinary experience can be enhanced if it is supported by a reason to believe, "which is a concrete proof that gives credence to the claim that a brand has the mentioned benefit" (Tybout & Sternthal, 2010). Gallo's reason to believe that the brand can provide the benefit claimed is mainly because Gallo is an innovative brand once it will offer a non-existing product in the market such as the Paprika olive oil. Paprika olive oil is not an ordinary olive oil but rather an innovative one that combines the finest quality olive oil provided by Gallo with the top-notch Hungarian spice, addressing consumers' needs and mitigating the underlying motivation for not using olive oil: "olive oil does not fit with the type of food I usually cook". With Paprika olive oil, traditional dishes can be cooked in an innovative and healthier way. Moreover, Gallo is a tasty and high-quality olive oil that masters the art of selecting the best and nutritious olive juice, delivering a superior olive oil. The mentioned mastery should grant and accredit Gallo as a brand able to provide the healthy twist because it is a premium brand with strong expertise on providing the healthiest olive oil for 100 years so far.

A positioning matrix can be found in Exhibit 6. Axes were chosen according to Gallo's points of difference as an innovative and premium brand. In conclusion, two positioning statements were created, one for each segment, displayed in the following table.

	To OBS, OBL, middle-high class, +20 years old, Hungarian consumers living a healthy lifestyle, city-dwellers, heavy users of high-quality and tasty olive oil.

Lifestylers	**Gallo** is a premium brand of Southern European olive oil, **That offers** a delightful healthy twist to a culinary experience **Because** Gallo is an innovative brand that masters the art of selecting the best and nutritious olive juice, delivering a superior olive oil, since 1919.
Triers	**To** OBS, OBL, medium-high class, Millennials Hungarian consumers trying to follow a healthy lifestyle, city-dwellers, light to medium-users of olive oil. **Gallo** is a premium brand of Southern European olive oil, **That offers** a delightful healthy twist to an everyday culinary experience **Because** Gallo is an innovative brand that masters the art of selecting the best and nutritious olive juice, delivering a superior olive oil, since 1919.

1.3.1. Comparison with existing positioning of Gallo

It is obvious that Hungarian consumers are very different from Portuguese consumers. Furthermore, Hungarian diet is completely distinct from the Mediterranean diet, leading not only to Hungarian consumers being much lighter users of olive oil than Portuguese consumers, but also to different perceptions and underlying motivations regarding olive oil usage. Exhibit 7 provides a short description of Hungarian eating habits and olive oil usage. The target market, as previously mentioned, are mainly millennials and adults above 20 years old since these consumers are more informed and less rooted to traditional cooking habits. Gallo is taking advantage of this opportunity in the market and it is leveraging its positioning on the healthy benefits it can provide to consumers. In Portugal, a Mediterranean diet country and an exporter of olive oil, the situation is much different. Olive oil is a traditional product, used daily by every consumer for almost every meal. Consumers are highly aware of olive oil as being a healthy product and they do not even have any other type of cooking oil or fat in their consideration set (except when deep fried dishes are cooked, not so frequent in the Portuguese cuisine as it is in the Hungarian). Therefore, Gallo in Portugal targets every consumer who is above 25 years old and a decision buyer. It is defined as a Portuguese olive oil brand, not being necessary to further detail points of parity once consumers are highly familiarized with the category. Contrarily to Hungary where Gallo claims membership of the olive oil category by being a product that delivers tasty meals while promoting a healthy lifestyle, in Portugal, the approach is different. Olive oil brands emphasize on the expertise as brands that transmit reliability, control and wisdom on the products they offer to the market. As category labels, brands also specialize on caring, that is, emphasizing family and olive oil as a driver of sharing moments throughout life, and sophistication by bringing an agricultural product in a sophisticated way to final consumers. In Portugal, Gallo does not need to focus its points of difference as a provider of a healthy twist to the Portuguese culinary experience, as the Mediterranean diet already assures it. Therefore, the company differentiates itself solely by being a brand that more than being just a producer as some competitors are, it selects the best olive juice for its consumers, mastering the art of blending and ensuring the finest quality, delivering taste, tradition and trust throughout the years. This point of difference in the Hungarian market would not be feasible since consumers still lack information about the benefits of olive oil and need to be further educated regarding its possible usage. Thus, providing the art of blending as the only point of difference would not be compelling enough to make consumers decide towards the brand. Indeed, it could even have a negative effect, leading to confused consumers regarding which benefits Gallo could potentially offer them. Moreover, Bertolli, the market leader, is also a master blender, destroying the possibility to claim the art of blending as a point of difference. Finally, in Portugal, reasons to believe are similar to Gallo's positioning in Hungary. In its origin country, Gallo guarantees mastery in the art of blending for 100 years so far because they have been partnering with the right stakeholders and always respecting consumer needs. Moreover, an additional reason to believe is considered: Gallo's commitment with consistency on taste and fine quality of products and company's ability to deliver this consistency at mass market levels, ending up being one of the most trusted brands in Portugal (a reason to believe that cannot be used in Hungary since Gallo will be launched for the first time there and no reputation has been acquired by now).

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3. APPENDICES

Exhibit 1: Description of segments

Segments	Description
Lifestylers 12.5% of sample	Health-conscious, information seekers, and committed on adopting a truly healthy lifestyle, Lifestylers are the olive oil lovers. They already have rooted on their daily eating habits the consumption of the "Liquid Gold" and rarely use other types of edible oils. This segment is characterized by educated people who are already, not only aware about the numerous benefits of including olive oil on their dietary routine, which triggered its daily use, but also about olive oil organoleptic characteristics. High-quality is a *must* in any brand they purchase, showing a willingness to pay a premium price for it. As heavy-users, Lifestylers are used to buy packages of 500 mL to 750 mL, once olive oil is a kitchen plus for a multi-usage end, such as cooking and dressing. A deep appreciation of olive oil's taste was another strong reason to adopt it as the major source of healthy fats.
Triers 34.4% of sample	"Triers" in a sense they wish to follow a healthy lifestyle, but also want to stick with their old habits, once they are reluctant to give up "too much" on their food option's choice. Olive oil is perceived as a healthy choice thus, adopting it as a cooking tool or as a dressing, means a step forward towards a more healthy and balanced diet. The unique taste of olive oil was a boost for Triers to also start cooking or adding it to certain dishes. Nonetheless, this segment is still too attached to the usage of other edible oils, such as sunflower oil to cook or dress dishes with mayonnaise, using them with similar frequencies as olive oil. Behind this lighter-medium usage of the Mediterranean's favourite oil, some hidden perceptions rely on the reason of not using it as the one and only source of fat. Firstly, Triers believe in the existence of a weak fit between olive oil and the type of food they usually cook. Secondly, they believe in a common myth: olive oil is not good for consumption when heated up, losing some of its properties.
Think it's not for me 53.1% of sample	Traditionalist and with a more conservative mind regarding eating/cooking habits, this segment carries the idea that olive oil "is not for them". They perpetuate the Hungarian traditional cuisine, hardly ever using olive oil and cooking with any other types of oils and fats, such as sunflower oil, pig fat, butter or mayonnaise. The main drivers to select an oil are the taste it adds to food and lower price. Although the great majority of this group is low-educated, olive oil is positioned in their minds as one of the healthiest oils. They exclude olive oil from their shopping lists for several motives: higher price in comparison to other types of fats, perception of an inexistent link between the Hungarian cuisine and olive oil or just because they simply prefer other options.

Exhibit 2: Segments positioning matrix

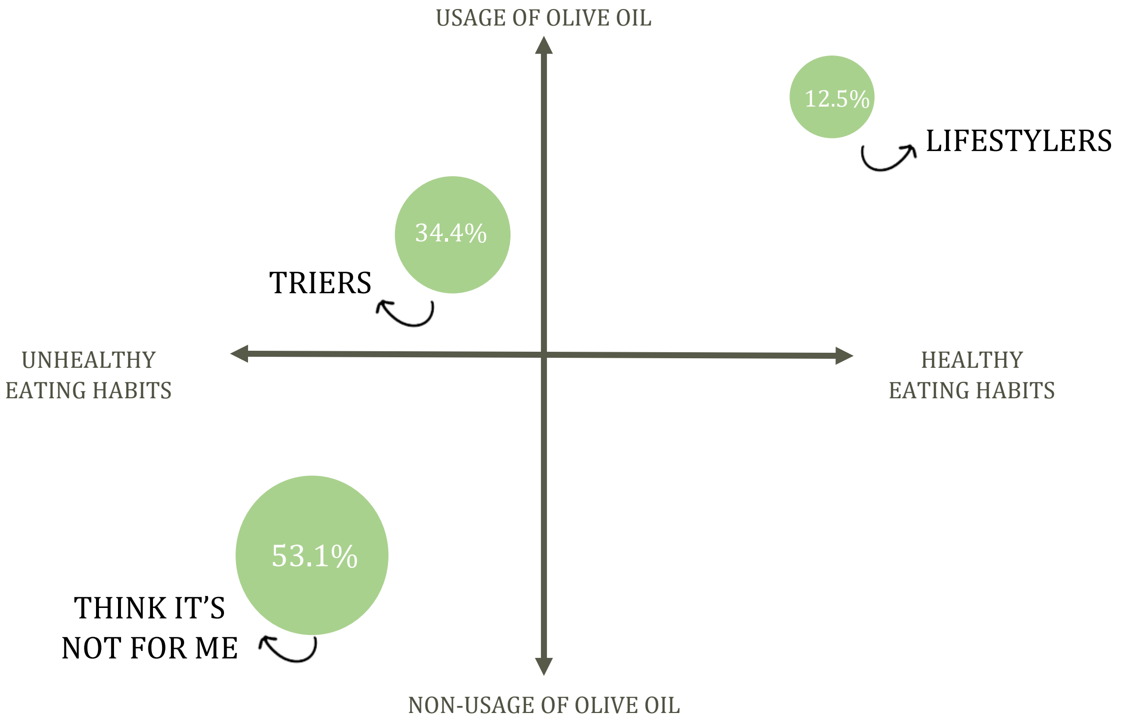

Exhibit 3: Assessment of segment's attractiveness

To facilitate reading, the table is split in two lines. Regarding competition, the value 1 is assigned not to the segment with the lowest competition but rather to the segment with the highest competition, meaning it is the least attractive to Gallo.

Legend: 1 – low. 2 – medium. 3 – high

Segment	Competition	Company resources	Segment size	Segment growth rate	Segment profitability	Segment accessibility	Differentiation	**Total**
Lifestylers	**2**	**2**	**1**	**2**	**2**	**3**	**3**	**15**
Triers	**1**	**3**	**2**	**3**	**3**	**3**	**3**	**18**
Think it's not for me	3	1	3	1	1	1	3	13

Exhibit 4: Detailed explanation of assessment of segment's attractiveness

Competition is higher for "Triers" as, according to our research, they do not only consume olive oil but also other fats and oils. Therefore, Gallo would not only be competing against the different brands of olive oil present in the Hungarian market but also with different alternative fats and oils such as pig fat, butter, pumpkin seed oil, among others. Regarding the "Think it's not for me" segment, although the olive oil category is not part of their consideration set, they use all the different alternative fats and oils when cooking or dressing. Hence, the segment has a high number of options to choose from and therefore, high competition. Lastly, the segment with the lowest number of competitors, although fierce, is the "Lifestylers". The mentioned segment mainly has olive oil on their consideration set, representing a smaller segment in the Hungarian market. Concerning company resources, the commitment to sustained quality due to the selection of the best olive juice and mastery in the art of blending, producing the finest olive oil with the best organoleptic characteristics, fits perfectly with the type of olive oil "Lifestylers" seek. For the "Triers" segment, Gallo is the best ally for the healthy lifestyle journey they want to follow, since it offers the best olive juice and only the best olive oil provides the healthiest benefits, proving Gallo has the right strength to compete. The "Think it's not for me" segment would be the hardest to reach since the olive oil category would need to be "sold", requiring a big financial effort in delivering effective education of consumers. Taking into consideration only the segment size and assuming our sample can be used as a representation of the whole population, "Think it's not for me" would be the biggest segment in comparison with the other two segments, thus, a potential target for Gallo since targeting the "Think it's not for me" would allow Gallo to reach a wider audience. Nevertheless, segment growth rate and segment profitability should definitely be taken into account. Although the "Think it's not for me" segment is characterized by being the biggest segment, it might not have prospects to grow since Hungarian consumers are increasingly willing to have a shift towards healthier eating habits. In fact, segment size might even decrease in the upcoming years. The "Lifestylers" segment might grow but not every consumer will reach this segment since it is characterized by educated people, usually with higher purchasing power, with a healthy lifestyle already embedded in their daily routines. Therefore, the biggest growth may be observed in the "Triers" segment. Healthy trends and health concerns regarding obesity might lead a large portion of the population to move to this segment, considering Olive Oil as a part of their eating habits but not the base of their dietary routines. Segment size goes hand in hand with segment profitability as well. In regard to the "Think it's not for me" segment, being the biggest segment does not make this segment the most profitable. In fact, it is not due to its inexistent or very low consumption of Olive Oil. Frequent usage of Olive Oil would make "Lifestylers" and "Triers" the most profitable segments for Gallo. Profitability calculations can be seen in Exhibit 5. "Triers" would be profitable, immediately after "Lifestylers", mainly because, albeit lower consumption, they represent a bigger segment than the latter. With respect to segment accessibility, "Think it's not for me" might be hard to reach once they are not users of Olive Oil and a strong education and communication effort must be made to access this segment. On the other hand, despite being smaller segments, being frequent users of the category makes "Lifestylers" and "Triers" accessible and easily reachable. To conclude, differentiation is achieved in every segment with "Lifestylers" being highly health conscious, information seekers, enjoying the true organoleptic characteristics of Olive Oil, emphasizing high-quality, taste and willing to pay a higher price for it. While "Think it's not for me" don't use olive oil and are characterized by being price sensitive, the "Triers" segment also wants to follow a healthy lifestyle but are reluctant to give up "too much" on their food option's choice, being still too attached to the usage of other edible oils.

Exhibit 5: Segments' profitability

To facilitate reading, the table is split in two lines. Assuming a person would consume 0.02 liters of olive oil per day, the identified segments would deliver the following profitability per year.

An assumption was made regarding the consumption of olive oil per week. According to the conducted research (Mariana et al, 2020), "Lifestylers" consume olive oil 4 to 7 days a week, thus, on average, 5.5 days. "Triers" consume olive oil every 15 days to 3 days a week: on average 2 days. Finally, "Thinks it's not for me", consume olive oil less frequently. An assumption was made that this segment would consume olive oil 0.25 days per week, thus 1 day per month (assuming one month has 4 weeks). Furthermore, a price of 12€ per liter was assumed.

Segments	Consumption per day	Number of days consumed per week	Consumption per week	Consumption per year
Lifestylers	0,02	5,5	0,11	5,72
Triers	0,02	2	0,04	2,08
Tthink it's not for me	0,02	0,25	0,005	0,26

Segment size	Total consumption per year	Price per liter (€)	Profitability (€)
12.5%	228,8	12	2746
34.4%	230,88	12	2771
53.1%	44,72	12	537

Exhibit 6: Perceptive Map

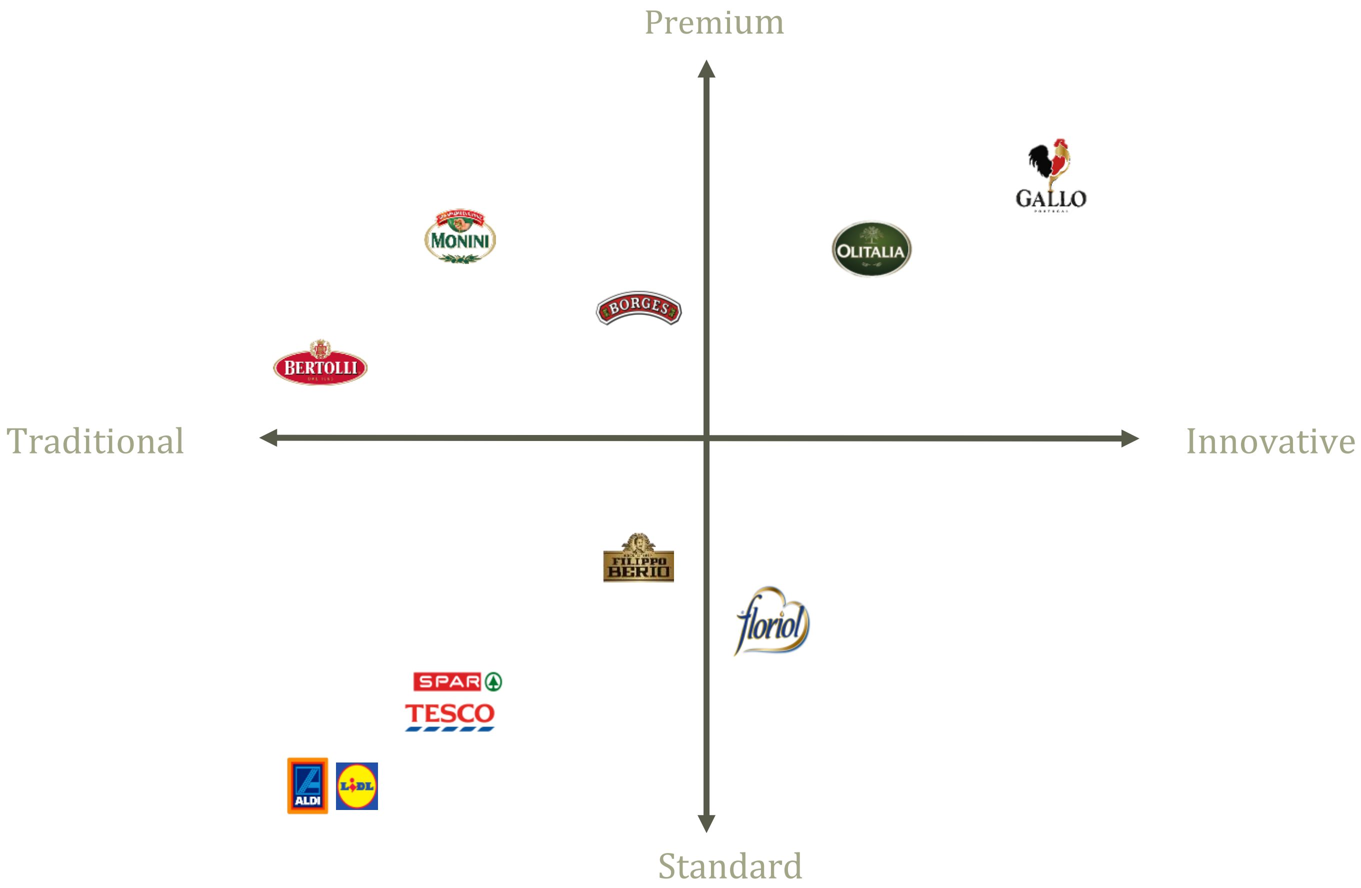

Exhibit 7: Hungarian eating habits and olive oil usage

Based on a study financed by the Bill and Melinda Gates Foundation and the British Medical Research Council (MRC), Hungary is in the top 10 nations with the least healthy eating habits. Moreover, in Hungary, the olive oil category is not a fundamental basis of citizens dietary habits, although being perceived as one of the healthiest cooking oils. Consumers have started using olive oil mainly because of its taste but also because it offers a distinctive benefit that no other traditional oil in the Hungarian cuisine offers them: it is healthier.